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HONGKONG AND ANGLO-CHINESE RELATIONS

The question of Hongkong's security has been thoroughly ventilated since the assumption of power by the People's Govt. in China and foreign observers, not familiar with local conditions, have repeatedly opined that Hongkong faces a threat by the new Chinese regime. By now it has become a common-place remark in foreign newspapers that Hongkong appears to be in danger, the implication, often the unveiled statement, being that the Chinese communists are planning to occupy Hongkong or, at least to start all sorts of unspecified trouble for no other purpose than to carry out orders from Moscow. These orders, it is here and there reported, spring from the over-all Russian strategy aimed at disrupting the economy etc. of all territories under British rule. A parallel with happenings in Malaya, where a revolt is presenting the authorities there and in London with serious headaches, is attempted to be drawn.

In fact, however, Hongkong's security has never been challenged by the new Chinese Govt. and there are, locally, no apprehensions expressed about the alleged evil designs of the Chinese communists. On the contrary, one realises here clearly that Hongkong, as a British Colony, has proved of advantage to China and recent developments only accentuate this mutually profitable situation.

Since the Colony was established over 100 years ago it has been South China's principal port and it has served with great success in the promotion of foreign trade with China. After the end of world war II and the decadence of Shanghai, Hongkong quickly became the focal point of Sino-foreign trade and the principal port for all of China. It also proved of greatest value to Chinese emigrants, financial and political; the Colony's economy benefited from this stream of immigrants as the development of large stretches of urban land testifies.

While in previous years Hongkong gave asylum to victims of KMT persecution — communists, Democratic League and other Chinese non-KMT party members, professors and intellectuals opposed to KMT dictatorship — condi-

tions changed in 1949 when the political tide turned in China with the victories of the People's Liberation army and the chasing away of the old regime. After the 'changing hands' of Canton, last October, this political immigration stream almost turned into a torrent but in recent months the movement has subsided and reflux of Chinese is reducing the previously quite serious population pressure. Since it has been traditional with Hongkong to grant free entry to Chinese and thus allow Chinese of whatever political conviction to reside here, the various Chinese governments never attempted to interfere with Hongkong's right to grant asylum. The sheltering of prominent republicans and Dr. Sun Yat-sen himself in the years when the Manchu empire was persecuting them is a fact which no Chinese forgets.

The continued civil war in China which is now an issue between the People's Govt at Peking and the KMT regime in Taiwan has brought in its train the tremendous expansion of Hongkong's entrepot business as almost all trade between China and foreign countries was disrupted, as a result of the KMT blockade and failure of ocean going ships to connect China ports directly with ports overseas. For many months past most of China's imports are first offloaded in Hongkong for eventual onward transport, by coastal ship, junk, railway, trucks, to any part of China; and China's exports are also first arriving in Hongkong where cargo is transhipped or stored for some time until finally sent abroad. As Voltaire sarcastically said of God, one may say of Hongkong — 'Si Hongkong n'existait pas, il voudrait l'inventer'. If there was no Hongkong, another port — like Saigon, Bangkok, Manila or Kobe — might have to be organised into a commercial base for Sino-foreign trade.

Hongkong, it is true, has always been a sentimental issue for the Chinese and that has remained until today. The irredenta, especially in Kwangtung, is strong and exercises much influence on the minds of the young and especially of the students. The existence of Hongkong is a reminder of a defeat, of an 'unequal treaty', it detracts from the

glory a 'big power' is supposed to bask in. But the development of Hongkong over the last 100 years has proved to be of inestimable value to the Chinese economy not to speak of the benefits which have accrued to those Chinese who came to live under the protection of the British administration. It has been said that Hongkong, now as in the past, has been an oasis of peace and order where British law was assuring conditions of stability such as other areas in the Far East have only rarely known in modern times. Private enterprise flourished and vested interests emerged and, while profiting from the stability and security ruling in Hongkong, spread economic well-being among the ever growing population here. Labour has been treated with greater fairness than anywhere in this part of the world and Hongkong workers know it. That they aim at improved conditions is only natural and progressive management here does not oppose labour but tries to accommodate their demands in a spirit of labour-capital cooperation.

A 'threat' to Hongkong arose during the last world war when the Chiang Kai-shek gov't raised claims and would have nearly succeeded with their political intrigues, America then being enlisted as a backer of these claims for Hongkong's reincorporation into China, but for the stand taken by Churchill and the British War Cabinet. When the Japanese surrender came and Hongkong was reoccupied by the British, there followed much unpleasant propaganda in Chungking, then the wartime capital of China, and inspired anti-British demonstrations were held. In due course the excitement died down not until, however, many 'incidents' had been created which resulted in strained Anglo-Chinese relations for some time.

With the establishment of the People's Govt at Peking some fears were aroused here and in London over the future relationship between China and Hongkong. The Chinese CP has however not expressed any hostile opinion beyond the general statement of political principles which, inter alia, call for the abolition of all colonies. But this demand for abolition of colonies is shared by all Asian peoples and governments and it is particularly the

Indian Govt which has been championing the cause of subject peoples in Asia. The CCP has therefore not stated more than any other Asian government has, done or, for that matter, has gone beyond statements made by previous Chinese governments. Nevertheless, it is generally realised that the new rulers in China are more efficient and resourceful than any previous govt in China and that it might prove very difficult to make 'deals' with them. In order to reassure public opinion in Hongkong, the local garrison was reinforced until it reached a figure of over 30,000 men, with considerable air force and naval 'cover'. The stationing of such a large force in so small a territory as Hongkong has been explained initially as a serious effort on the part of the British Govt to keep Hongkong out of any entanglements which might occur in the course of fighting in the Chinese civil war. Now that the mainland has entirely passed under the control of Peking the present strength of the garrison might appear exaggerated though hostilities in this area are far from being over and the civil war might still erupt into a very big affair when it comes to the invasion of Taiwan. There has however, been a slight reduction in the number of troops when compared to their peak strength in 1949 which was particularly noted after the departure of the Commandos who were sent to Malaya.

Local investors have answered the question: Is Hongkong secure?, and their answers were as contradictory as are opinions on this subject generally. One is bound to take a different view of developments in the light of the changing situation and as new information comes to hand. But opinions on Hongkong's future were especially erratic and dictated more by emotions than reason. If one is to draw conclusions from the behavior of the stock & share market, where slump follows slump and sellers are often panicky, the answer to the question would appear to be definitely in the negative. On the other hand there has been, at a time when the stock market slump was in full swing, enormous new investment in houses, factories etc. and further development is proceeding apace. There are many ambitious land development plans and if one is to believe one Chinese promoter alone there are to be built 400 new houses. The quite fantastic amounts which have been sunk into real estate here during the last 2½ years were partly brought here by Chinese immigrants and made available by local investors. Entirely new suburbs have been created—the most outstanding one being in the Causeway Bay-North Point area. Only a year ago the area around 'Luna Park,' on King's Road, was barren rock; today there is a modern town where some 100,000 people live and work. A residential district on the mainland (Tsimshatsui, east of Nathan Road) has been developed during the last 2 years which combines modern comforts with excellent lay-out and design. Hotels, theatres, restaurants, stores are still

opening up here and there. At the same time Hongkong Govt is proceeding with large-scale building schemes and land reclamations with one of the biggest schemes (central district) recently announced as having been decided upon by Govt for an early start. Tardy investors may also have received some food for thought from the fact that big British companies are proceeding with their building program and the largest landowners in the business centre of the island are adding one new office building to the other, thus proving that they are serious about their rebuilding scheme of the office blocks in the central district.

With so much confidence in the future shown by British firms, the question as to Hongkong's security should be studied with more sobriety than has been the habit here for some time. Obviously the clue to the question lies in the future of Anglo-Chinese relations and as big business here assumes, with probably some good evidence to support such assumptions, that London and Peking will work out terms mutually satisfactory and profitable there should then be no suspicion as to the imagined danger to which Hongkong is confronted.

Britain's interests in China are simple; the promotion of trade is now as in the past the principal occupation of British merchants. Hongkong, besides its commercial function, can also serve as a cultural East-West bridge and to that effect plans have been developed with the local university being accorded an important role. On the international political plane London is inclined to follow the lead which Pandit Nehru has given. Some opposition to this has been voiced in London but that should not lead one to believe that finally India and British will not, in Asian affairs, pursue the same course. It appears, however, that basically British and American policies in the Far East may not be easily coordinated. Recent aggravation in Korea and the American position taken in the 'neutralisation' of Taiwan do not augur well for harmony in the future. That is not to say that British support of the American position in Korea is not unreservedly given in accordance with the majority decision of the UN Security Council but that, Peking Govt having now declared their moral support of the North Koreans, possibilities for some Anglo-Chinese friction have arisen out of the Korean 'affair.' Of potentially serious implication is however the situation as has developed with regard to Taiwan following the protection granted by the US to the KMT regime on that island. As London has withdrawn recognition from the KMT regime as the national government of China and has, on the basis of existing conditions, accorded recognition to the People's Govt of China, the question of Taiwan is being regarded differently in Washington and London.

The British and Indian understand the Chinese 'situation' well; they realise that the new regime has come to stay—to stay for a long time; that popular support, though not very extensive, is given to the communist regime in China to a degree unknown to a former government in China; that the nationalist faction in the Chinese CP is strong and is gaining while at the same time the alignment with the Soviet Union is, to say the least, regarded with suspicion by the majority of politically conscious Chinese. A 'new democratic' China is, from a capitalist country's point of view, not at all an undesirable partner even if the progress towards socialisation is not slowed down. The trend towards socialist democracy is strong everywhere and there should be no barrier separating 'new democratic' China from progressive countries in Asia and in the West. It is only the fear of Russia and her designs to superimpose herself on all nations by means of promoting communism in every state which cause 'western' governments to be extremely wary when dealing with any 'people's democracy,' and China is no exception.

It would be foolish, at this juncture, to look in China for signs of Titoism but given a chance China will not bind herself to Moscow but will insist on freedom of action. It is in the interest of the Chinese people to live in peace with all nations and, indeed, China has no enemies, China is esteemed as one of the oldest civilised nations having had a continuous history extending from B.C. 2953 over almost 50 centuries, and she is—possibly with some jealousy—considered now on the threshold of great developments, on the way to become truly a 'big power.' From co-operation with all countries China stands to profit, by leaning to one side her progress must be retarded apart from the fact that the industrialisation of that vast country, the ambitious though realisable dream of the nation, will be on a Soviet shaped basis. There are hopes that sooner or later China will 'disengage' herself from the control now wielded by Russia and anything which contributes towards speeding up that moment should be welcome—to the Chinese and their non-communist foreign friends. Any policy by a foreign country which aims at supporting the enemies of the present regime in China can only produce negative results; while friendship and cooperation extended to the legitimate government of China may be instrumental in liberating China from the Soviet Russian bonds. The cooling down of the cold war of today is a pre-condition for the inevitable US-China rapprochement. Meanwhile the nations taking a positive view of future developments in the Far East will improve their relations with China, i.e. the People's Govt of that nation and will, on an international plane, co-operate with that country by, inter alia, insisting on her admittance to the UN in place of the representative of the KMT regime now in refuge on Taiwan.

NEUTRALISATION OF TAIWAN

The Korean war has, quite unnecessarily, changed the position of Taiwan fundamentally and critically. Two months ago the Chinese Govt was busily preparing for the attack and invasion of Taiwan with the avowed aim of thus bringing an end to the civil war — provided that the planned military venture was to be successful and the KMT army could have been subdued. One thought generally that the attack might have been planned for August and that, judging the outlook on the basis of the previous successes of the People's army and especially the remarkably quick occupation of Hainan Island, the resistance of the KMT army might be of short duration with the usual defections and collapse of morale in the vital moments.

Internationally the position of Taiwan was still obscure; title to the island has been, it is true, handed to China by the Anglo-American leaders at the Cairo Conference but final decision was, according to different interpretations of the original agreement, to be deferred till after the Japanese peace treaty. The Allies, at Cairo, were using, under the stress and strain of the war, language unbecoming to statesmen and many historic facts were suitably twisted. Taiwan, they said, was 'stolen' by Japan and had to be returned, and proceeding on such a wrong premise, they placated Gen. Chiang who was then reported to be negotiating with the Japanese or the puppet govt of Wang Ching-wei for a Sino-Japanese truce. It was particularly the US Govt who were in a hurry to accommodate Chiang Kai-shek and who persuaded the British to concur with their decision to retrocede all settlements and concessions in China — irrespective of the rights of other nations in these areas or the rights and interests of individuals, foreigners and Chinese alike, who subsequently were the real losers of this act of state.

Now, the American position vis-a-vis Taiwan had undergone a complete volte-face, first, with President Truman's decision to 'neutralise' Taiwan (i.e. protect the island from Chinese invasion by ordering the US navy to intercept, if so required, any attempt at attack) but at the same time ordering the Taiwan Govt to abstain from attacks on the mainland (incl. raids on shipping along the China coast, in other words terminating the blockade of certain ports); and secondly, by the recent agreement made between Gen. MacArthur and Chiang Kai-shek which seems to have not found, as yet, full authority from Washington but nevertheless is of the nature of a defensive alliance between the US General and the KMT regime. There are even hints that the negotiations between the two generals produced some agreement about resumption of KMT attacks on the Chinese mainland thus making an invasion of Taiwan the more urgent from a Chinese point of view.

In all this business the wishes of the people of Taiwan, otherwise called (by the emancipationists) Formosans, ignored. Quite undemocratically the inhabitants were never consulted about their political ideas although it must have been clear to all foreign offices and also to the UN, who received several petitions from Formosans to that effect, that there was a large body of educated and otherwise qualified people in Taiwan who defied the Cairo Conference decision and who objected to Chinese domination, pleading for a plebiscite in Taiwan, under UN supervision, for the purpose of establishing the real will of the people. The various Formosan freedom movements and parties achieved nothing—Taiwan became another pawn in the international game of power politics which in this era is actually a contest for world hegemony between the US and USSR.

It is the tragedy of Taiwan and its native people that they are, against their will, drawn into the Chinese civil war after first, as from October 1945, being mercilessly exploited and maltreated by officials and officers of the Chinese Govt, then at Nanking, as well as by a horde of KMT carpet-baggers and Shanghai adventurers. That eventually the despot Chen Yi was removed and another more mild but still strongly exploitative governor was imposed on the people did not make the Formosans forget their sufferings; and the flame of revenge is kept burning all over the island. Not enough of this misrule by Chinese from the mainland, the Formosans were not spared to see their island transformed into the KMT's last retreat and Chiang Kai-shek's fortress. All moves instituted for the placation of the outraged Formosans by the present governor-general in Taiwan did not bring the desired results and it is more patent today than in 1947 (after the infamous massacre of Formosans by the Chinese army and secret service men) that a plebiscite, if held, would prove to the world the wrong that has been done to the natives by compelling them to accept, after Japanese rule was lifted from them, a new but less efficient master. An innocent people, the Formosans, are getting between the millstones of Chinese politics and the powers that are responsible for this situation look on, make the usual surveys but allow matters to drift, being, eventually, only surprised or shocked to see what dynamite they have allowed, by sheer negligence, to pile up. What goodwill have the Allies still in Taiwan, that means among the Formosans?

Now, when the US took that bold step of 'neutralising' Taiwan, an opportunity presented itself which it may yet be not too late to grasp, namely the real neutralisation of Taiwan by calling on the Chinese regime and its army to withdraw from that island, to place Taiwan under UN trusteeship for a certain period, with the US acting meanwhile as the agent for the UN (in

a similar manner as in Korea). The cooperation of the Formosans with any UN authority, and with the US either as UN agent or as protecting power, can be taken for granted. At the same time, the Taiwan protecting power or the UN trusteeship agency may start preparations for the holding of a plebiscite and guaranteeing that the outcome of this vote would be respected and upheld by the UN. The People's Govt of China may object to such a course and may insist on claiming Taiwan to constitute 'sacred soil' of China but if a plebiscite in Taiwan will disprove these claims, a new nation will have been born and if Peking is fair and honest there should then ensue co-operation between China and Taiwan. Otherwise, China will stand condemned for imperialist designs. The Formosans may, however, choose to have certain specifically defined connections with China—union with China is most improbable as the outcome of a plebiscite — in which event communism would gain quick entry into Taiwan. The latest turn in the cold war developments suggests however, that Taiwan is to become a real bastion against communist expansion in the Far East with the KMT army as an ally of the US. This is, of course, the opposite of 'neutralisation' and it is to be hoped that no action by the US will be taken which will provoke rather than postpone if not make the Chinese entirely abandon the conquest of Taiwan.

PRESENT OUTLOOK IN CANTON

In the political field the new regime has scored many successes after a period of doubt and even quite openly expressed opposition, mainly the result of resentment by the tax-paying population when all of a sudden taxes and loan subscriptions were imposed on them. In the earlier months of this year the new govt had to face some sort of passive resistance on the part of a large sector of especially the city population, including workers, while in the country there was unrest among farmers who were led to believe that the incoming regime was to live up to the expectations of the masses, namely the ushering in of comfortable times after the depredations of the last Sino-Japanese war and the KMT spoliation of the country.

With the occupation of Hainan a turning point was reached; the opposition, never organised but powerful in their sulking non-cooperation, came to realise that the new regime was strong while the KMT, the only previous hope of the opposition, had no chance to survive even with American backing. At the same time, grasping this favorable psychological moment, the CP leadership instituted changes in the system of economic planning and control which all went towards easing the tension among merchants and small entrepreneurs. Moderation was the watchword and 'slow motion' the policy. In recent months the trend towards protection rather than elimination of private enterprise has become clear and now the new regime is resting on many laurels bestowed on it by its previous adversaries. This important change in the public sentiments has had repercussions in many fields but especially in the economic one.

The consolidation of the power of the state is quietly proceeding, the propaganda of the CP with its innumerable political education teams and indoctrination drives cannot but succeed to convert the youth of the country to the ideals a new society. There is some murmur heard here and there mostly among merchants but it is actually so faint that the authorities do not take note of it in spite of their avowed desire to serve the people's interests. Of course, what are good and what are bad interests are decided by the authorities, and their course is fixed with Marxist-Leninist ideology. But, fortunately for the Chinese, the stern dogmatism of these two communist giants and its application to changing conditions of today by the accepted prophet of the communist faith, Stalin, is increasingly 'China-fied,' made flexible and suitable to the Chinese character and the mood of the people. Indeed, the period of 'new democracy' is now believed to be of very considerable duration and the Chinese communists even through the medium of the No. 1 theoretician, Liu Shao-chi, admit this to be the policy. Slow advance towards socialism, mutual accommodation, cooperation between 'legitimate' private enterprise

and the state economy, these are seriously-meant slogans of today. The support of the people is thus gained which, in Canton particularly, is a feat not achieved by any previous govt, the Cantonese being highly individualistic and somewhat anarchistic, i.e., opposed to an excess of authority other than regional administrations.

Emphasis of the govt remains on production — increase of mineral output, manufacturing, agricultural products. The export drive has so far been a success as the monthly trade returns show; the import volume is not declining — only there is a shift over from consumer goods to raw materials and commodities of the 'essential' type — while exports, in volume and value, are steadily rising. The provincial budget approaches a state of balance and the same is expected, in spite of the war operations, from the central govt. Faith in the stability of the currency of the People's Bank has now spread and hoarding of goods is an almost forgotten practice. Savings in all banks show a rising trend which indicates lack of interest, by investors, in gold and foreign exchange. The progress of rehabilitation of communications is especially worthy of note; the govt seems to be convinced that but for disturbed communications there should not be any supply difficulties in China, and acting on such conviction they attempt to restore rail and highways, and shipping along the rivers and channels of the country. Now air transport has been resumed though as yet not in coastal parts of China for fear of interception by KMT raiders. The building up of a civil aviation service is a priority matter in Peking and Canton feels the same. Most important, for the time being, is the functioning of regular and speedy train services between Canton and Central & North China. The public has every cause to be satisfied with that service.

As in every city of China the traders comprise an unusually heavy percentage of the total inhabitants, this being the result of backwardness of the country generally and the lack of jobs in other occupations. A trader is mostly a man with a small capital who shifts from one commodity to another just as occasion offers. In the postwar years the trend towards increase of members of this 'floating' and essentially parasitic occupation has been accentuated so that today, in communist China, many millions of urban people are to be found whose 'economic indoctrination' would appear to be most important from their own as well as from a national point of view. But this problem is of such magnitude that the authorities are proposing to proceed only with caution so as not to harm the lives of such a great mass of people.

To doctrinaire hotheads this slow adjustment policy is odious and they press on the CP to authorise faster work. But in recent party conferences

the 100% communists were rebuked and the 'new democrats' were fully backed by the high council; China's Politburo has embraced fully the Mao Tse-tung propagated gospel for the salvation of China, i.e. the slow change-over from the previous semi-feudal state to socialism by gradual adjustments during a period of cooperation between state socialism and private enterprise. To the CP diehards this came as a shock but party discipline commands to obey without any murmur; those who disagree are heretics and are called today a shameful word: 'deviationists' with quite unpleasant consequences for those who are not, after a purgatory, ready to recant.

The Cantonese merchant class is reassured more than even that the new govt won't hurt them seriously, and thus they adjust themselves to the new dispensation. Old and legitimate traders find no obstacle to doing business though their profits are meagre compared with the times under the KMT — but then there were lean and fat periods, bribery and corruption which drained the resources of the big firms to a great extent. Those who have to find new occupations, possibly return to the land, are the hordes of small and 'illegitimate' traders, people who have no idea about doing business with foreign countries except to snatch a commission here and there. So, at present, a house cleaning process is shaking the commercial world of Canton with the effect that hundreds of 'firms' are closing down and their owners and foks are helplessly looking around to find jobs. The govt offers them employment, at very unattractive salaries, often sending them to northern areas where there is need for workers, usually on farmyards. This does not appeal to the majority; so they go back to their villages and become again what they were before the lure of the great city with easy money-making prospects caused them to leave their homes.

Foreign traders have all to be registered and by this method the govt eliminates the desirables from the undesirable. There are still too many registered traders but their legitimacy had been established after examination by the People's Bank, the Canton govt (Industry & Commerce Dept.) and the official South China Trading Corporation. The same development was observed in domestic trade where dealers, commodity collectors etc. were sorted out and eventually a relatively small number of qualified firms were permitted to continue in business. Here again, one wonders whether this number is not too large seeing that important segments of national trade have been or are being taken over by public owned corporations. The trend towards concentrating leading products of China, such as bristles, silk, tung oil, in the hands of official set-ups is evident and is openly admitted by the govt, but there is still scope for private traders who can take part in collection of such products and their exporting them. They have however to abide by prices

as fixed by the govt, both for collection of produce in the interior and for exporting such goods (in the latter case the fixed price is called 'floor price' below which no exporter can sell). Wherever an efficient state owned corporation operates private dealers have little chance to survive in the long run, but there are many inefficient corporations staffed with young and enthusiastic though inexperienced men, mostly from the school bench direct into the manager's office. Then, private business men have a good chance to keep on selling their goods to their old foreign connections. On the other hand, a trading corporation as well managed as the South China Bristles Co., a public enterprise, must discourage formerly established firms and monopolise, sooner or later, the business in bristles.

There have been many conferences in recent months where 'beefings' were publicised. Indeed, the new regime seems to delight in the expression of criticism and almost begs for it, thus underlining the democratic character of the regime. One has to be careful however not to indulge in any subversive criticism, the emphasis always being on constructive ideas and justified pointing out of shortcomings by the govt. Usually, such 'beefing' meetings and conferences bring results; constructive criticism is listened to by the authorities and conditions are adjusted with little delay only. Anything which can be solved on a local or regional level is being attended to with for China unusual rapidity, and even if central govt opinions have to be obtained prior to making a decision there is generally only a short interval between criticism and adjustment. Traders have been encouraged in particular by the results of two conferences which were recently held in Canton; the Kwangtung Business Administration Conference (beginning June) and the South China Foreign Trade Conference (mid-June). Both conferences brought results which were acceptable to private traders and which, subsequently, proved to be conducive to smoother public-govt cooperation. The previous system of govt, controls over trade and even announced principles of economic policy in Kwangtung were revised and the many trade boards and councils etc. were partly abolished or merged and their personnel 'reeducated' where such was shown as necessary. In all, the two above mentioned conferences were positively received by the merchant community in Canton though the announced decision of the govt to establish a central provincial cooperative may herald the gradual elimination of retail business. But the govt was careful to assure merchants that this was a matter of the distant future and that what was needed today was a combined effort to rehabilitate the country, a task in which private enterprise was to play a very significant role.

SQUATTER HUTS OF HONGKONG

(By Lee Bing)

Perhaps there is no other city in the world where so many squatter huts have been erected than in Hongkong where in and around the urban area these emergency dwellings have become a part of the city and accepted by the public. Other world cities have their slums but the squatter huts of Hongkong constitute not exactly slums in the true sense of the word. Squatter huts mushroomed into being by the influx of immigrants from the Chinese mainland due to the Chinese civil war and when as a result these refugees were faced with the housing problem. They could not afford to pay high rent nor exorbitant 'Key Money' demanded for a room or house in an overcrowded city. It was out of sheer desperation to put a room over one's head that the many thousands of squatter huts sprang up in and around Hongkong and Kowloon, which are estimated today to house no less than 100,000 people.

Misery of the Huts

The squatter huts are either erected on vacant lots, on a former vegetable garden ground or on a hillside. The most densely populated communities are those at West Point, Causeway Bay, North Point, Tai Hang, Shau-Kee-Wan, Kowloon Tong, Shum-Shui-Po, Castle Peak Road and at Tai Po Road. Other squatter communities that were razed by fire or condemned by the authorities were at Kowloon City, Tai-Kok-Tsui, Kennedy Town and at Wan Chai. These huts are most economically built using the cheapest of rough wooden boards without brick or cement pillars to support the wooden roof boards which are covered only with thin oil paper. At best, the huts are small, boxlike, rickety and flimsy. Built on rough uncultivated land by unprofessional builders, the result is a mass of uneven ramshackle sheds that have a helter-skelter appearance. In rainy weather the thin boards that serve as roof leak badly and the frontage turns into puddles of muddy water making entry and exit most difficult. In fine weather the sun heats down upon the thinly covered roof and turns the hut into an oven. The hot steam from the muddy water and cesspools pervades the place with unpleasant odours that make the hut untenable. Most squatters, therefore prefer to sit in the streets in early evening until the heat has cooled off. When the north winds of winter dry the wooden boards they become highly inflammable and this constitutes a fire hazard. In the past, whenever fire broke out in these areas, it involved hundreds of huts. Most notably among these accidents were the Tai-Kok-Tsui and the Kowloon City fires where the conflagration spread so rapidly that the whole districts were reduced to ashes with nothing being saved.

Having no proper drainage, electricity or running water, the sanitary conditions naturally suffer and much sickness and disease break out among the squatters. Their only water supply

is from the nearby surface streams, nullahs, shallow wells or street hydrants and carried to the huts by coolies for so much money per bucket, and having to buy water, it is of course used sparingly.

Location of Huts

The squatters are not all refugees, many are labourers, vendors, small shopkeepers, teachers, clerks, mechanics and even some are ex KMT officials. One of the better squatter communities is at North Point in an area called Kin Kong Village, meaning Healthy Village, which ground the authorities allocated for that purpose. The 150 houses there accommodate 800 people and the structures are uniform and well erected. These houses can boast of a stone or brick foundation and the wooden boards are thicker and of a better quality. There is a proper drainage system and other good sanitary equipment. The roads are of beaten earth and are always kept in good repair and are clean. The community of squatters living there are of the middle class.

The Shau-Kee-Wan Squatters Community is on a hillside near Sai-Wan River and has about three thousand huts. It is estimated there are over ten thousand squatters, most of whom are Hakka people, who are either coolies, vendors, saltfish sellers, dockworkers, or small shopkeepers.

The Tai Hang, meaning Big Nullah, has a community of squatters that dates back ten years. There are three thousand nondescript huts and like Shau-Kee-Wan, most of the squatters are Hakka who work as labourers, hawkers, wharf coolies, artisans and rickshaw coolies. The population is estimated to be twelve thousand.

The squatter community in Shum Shui Po is called in Chinese Shek-Kip-Mee or Hakka Village. This is perhaps the oldest hut area in the Colony with a history of fifteen years. The majority of squatters are Hakka people from whom the name is derived. This is considered the most ideal district for the squatters being only a stone's throw from Tai Po Road, and close by a bus service. This may be called the home of the factory workers such as weavers, knitters, mechanics, artisans for it is situated near the factory district. Because of easy access, people prefer living in this community where rent for a small single room may be paid at \$30 per month. In recent months this place has become very overcrowded. It is estimated that there are two thousand huts with about twenty thousand squatters. This area begins from Tai Po Road and extends east through a winding road toward the hill. Here one can see a conglomeration of wooden huts, brick houses and even stone built structures. The district although not very sanitary is fairly well managed with an organised welfare office, a peace-preservation corps and a self-appointed 20 men fire squad. There are also three

private schools for the neighbourhood children and many shops, tea-houses and cafes that do a thriving business. At night, the twinkling lights from these shops and tea-houses impart to an observer the impression of night life in that district.

Pak Tin Chin meaning the White Field village, is near Taipo road, and was formerly a vegetable garden ground. It was only a year ago when the first hut was erected and today huts number over 800 with an estimated population of 10,000. This place is not so over-crowded as at Shek Kip Mee area. About half of these squatters are refugees from China and the rest are factory workers, small business men, hawkers and labourers. This area has no self administration corps or schools or shops.

The Kowloon Tong village is about 10,000 feet square at the foot of a hill behind Kowloon Tong. Its main entrance is through Boundary road and Fa Hee street at Shumshuipo. Here are 1500 huts with a population about 15,000 most of whom moved there from the Kowloon city area when that district was burned to the ground last year. As if they have learned their bitter lesson, these hut dwellers are fairly well organised and have a fire prevention corps, road mending corps, welfare society and a school on a nearby hill which has almost 400 children. The squatters are mostly of the working class and are rather poor but unlike the people in other areas, they have community spirit and are out to improve the site upon which they live.

The Castle Peak area is situated on the hillside at the intersection of Taipo road and Castle Peak road. Here, helter-skelter fashion, are ramshackle huts that seem to cling to the hillside like so many beetles. Altogether there are about 500 huts and estimated population is around 3000. 90% are Shanghaianders who are refugees and many of whom work in Shanghai-owned factories that are nearby. There the people are clannish and resent other than Shanghai people living there.

By far the best area in the whole colony is the newly built refugee district at Diamond Hill opposite Kaitak, known as Sheung Yuen village. Although there are a number of wooden huts most of the houses are built of brick. It looks like a small suburb. But the lack of running water, power, proper drainage and roads, relegate this district to a squatter's community. There are about 600 houses with an estimated population of 3000, most of whom are Shanghai people of the middle class. There is one school, about 50 shops and a dozen small cafes. It has become a popular residential district for Northern Chinese as the rent for a small house with 3 rooms is only about \$100 per month plus \$1500 keymoney.

Possible Solution of the Problem

It has been suggested by social workers that the local Govt shall build tenement houses and rent space out there at nominal cost. Some calculations have been made which prove that the construction costs would be returned within 5 years. Be that as it

ECONOMIC SITUATION IN MANCHURIA

(Summarised from an official Report by the Northeast Administration)

Importance of Northeast China to China

Northeast China in 1943 produced 49 percent of entire China's coal output, about 87 percent of its pig iron, 93 percent of its steel products and 78 percent of its electric power. Manchuria had 42 percent of the total railway tracks of the country. The preponderance of certain branches of heavy industry in Northeast China was overwhelming. This was also true of agriculture. Northeast China produced 51 percent of China's entire output of the world famous soya bean.

Modern industry occupied only about 10 percent of the national economy of China. This is the measure of the economic backwardness of China. But the situation is different within Northeast China itself. There industrial production in 1943 constituted about 56 percent of the entire economy of the Northeast.

Just because of this, people throughout China are closely following the work of reconstruction in Northeast China and hope for assistance from Manchuria.

Reconstruction as from 1949

Northeast China was completely liberated in the winter of 1948, and work of economic reconstruction throughout the area started in 1949. Under last year's rehabilitation plan the Manchurian govt. invested a value of 2,000,000 tons of grain, and progress

can be judged from the number of factories and mines under the Industrial Department which are now in operation. When the new govt. took over, very few factories were in operation. By April, 191 factories had resumed production; by September, 243 and by December, 307.

The gross value of production of these undertakings under the Industrial Department (not including munitions factories) overfulfilled their production plan by 4.2 percent. Among them, important heavy industries like iron, steel, copper, coal, coke, power and machine building all surpassed the original plan. But some light industries, such as cotton yarn, cloth and paper did not reach their objectives. The railway transport plan was fulfilled ahead of schedule. Owing to floods in south Manchuria and drought in north Manchuria, the agricultural harvest was 14,500,000 tons (excluding products of side occupations), that is, 90 percent of the original plan.

Privately owned industry and commerce have also developed owing to the market created by the development of public enterprises and agriculture. In Mukden, from June to December 1949, private industries increased by 23 percent — from 9,727 to 12,007. Workers employed in these industries increased 18 percent — from 42,590 to 50,413.

As a result of work of rehabilitation, production in the publicly owned industries which resumed work in 1949 reached 29 percent of their output in 1943 under the Japanese occupation. The agricultural output reached about 67 percent of the 1943 level. This is a most noteworthy achievement.

Especially worthy of note is the fact that the rate of revival of industrial output greatly exceeded the rate of rehabilitation of industrial equipment. For example, while the level of the equipment for steel smelting was only 23 percent, the output reached 42.2 percent of the comparable highest level under the Japanese. In textiles, the number of spindles reached only 66 percent, but the output reached 143 percent of the highest level under the Japanese. This demonstrates the superiority of the new democratic publicly owned enterprises and the great prospects that exist for the swift development of Chinese productive forces.

The relative proportions of industry and agriculture in the total economy were: industrial production, which constituted about 56 percent in 1943, was about 35 percent in 1949; agricultural production, which constituted 44 percent in 1943, was about 65 percent in 1949. That is to say that the goal of rehabilitating industry is still far off. But the line of advance for industrial rehabilitation is first of all to concentrate on the rehabilitation of the industries producing the means of production. In 1949, the total output of means of production was about 74 percent of the gross value of the total industrial output.

may, there are objections here to any large-scale Govt building program, it being advanced that the many refugees from the north — at any rate a very unstable group of people — could not be taken care of by the local residents; if Govt here would provide finance for erecting tenement houses for the purpose of housing the squatters this amount would be very considerable and could only come from increased taxation, even if this tax increase was only to be imposed on the community for a period of 2 to 4 years (depending on the total cost of such tenement house construction).

It is probably the best thing to do to require squatters to build according to modified regulations of the Public Works Dept. and otherwise to conform with some measure of law—abiding to the various health rules laid down in the legislation of the Colony. A reflux of people to China has been observed and if this trend continues there may be a decline in the squatter population. Over a period the number of squatters will decline — nobody wishes to exist under conditions as are witnessed in these 'shanty towns'. Meanwhile, some absorption of the houseless persons may be attempted by private builders who might find it profitable to accommodate, at low cost and without any construction money, the more fortunate of the squatters.

Supplemented by other favorable conditions, such as completing the purchases of industrial installations according to schedule, the Manchurian govt is hopeful to lay foundations for reforming the economy of the Northeast, and may then provide greater quantities of the means of production for industry and agriculture, expand the total economy, speed up the rehabilitation and the development of industry and fundamentally change the present proportions of industry and agriculture in a fairly short period.

Agricultural production by that time will also be greatly raised because of the development of the social forces of production, because industry will provide agriculture with great quantities of new farm implements, and because the peasants will have new productive enthusiasm.

The work of rehabilitating and developing economy has not only enabled support of the army in its drive to the south, but it has also brought improvements in the living standards of the people.

In 1949, the total number of workers employed by publicly owned enterprises increased by 240,000. Between May and December of 1949, the average real wages of workers, including administrative workers, has increased by 27 percent. Labour insurance is being carried out. The state pays an equivalent of between 9 and 11 percent of the total payroll for labour insurance, medical expenses and education for workers.

The exchange ratio between grain and cloth changed from one ton of grain for one bolt and 40 feet of cloth, in the winter of 1948, to one ton of grain for 2.8 bolts at the end of 1949 in north and central Manchuria. Moreover the cloth was of finer quality. Relative price stability has been achieved. During 1948, the general rise in prices was 800 percent. In 1949 the general rise in prices was only 80 percent.

At the same time, the production of industrial consumer goods, in plan, will have been raised by almost two-fifths compared with 1949. Thus, it will be possible to supply more consumer goods to the people than in 1949.

In agriculture, according to this year's production plan, 17,200,000 hectares of land will be brought under cultivation, including 234,000 hectares under cotton and 97,000 hectares under hemp and flax.

The total output of grain is planned to reach 18,000,000 tons, which is equivalent to 137 percent of the value of agricultural production in 1949. This is almost 93 percent of the level of agricultural production in 1943 under the puppet regime.

Under the forestry plan 5,928,000 cubic metres of timber will be felled this year (last year—4,600,000 cubic metres). At the same time attention will be given to preserving the existing forests and developing new ones.

The total output of industry will constitute 43 percent of the total economy instead of the 35 percent in 1949, and the total output of agriculture will constitute 57 percent of the total economy instead of 65 percent.

The govt. will allocate 54 percent of total expenditure to investment for the rehabilitation and reconstruction of economy. The investment in industry will be about 40 percent of the total expenditure. Eight-five percent of the investment in industry will go to those industries producing means of production. The total investment in industry in this year will be 250 percent of last year's investments in industry.

In commerce, the volume of retail business done by the state trading concerns and cooperatives will be raised to 50 percent of the total volume of retail business (in 1949 this was 34 percent). This is based on the plan for industrial and agricultural production and the materials the state is able to handle.

To hit at the speculators and to sell goods handled by the state directly to consumers, the number of state retail shops from 372 to 1,500 will be raised. At the same time 9,000 cooperatives will be properly developed.

It is expected that 2,000,000 tons of grain will be purchased after the autumn harvest this year. Purchases of other local products will amount to 17 trillion Northeast dollars. The state trading concerns are still short of considerable quantities of materials needed to satisfy the peasants' purchasing power. So, apart from the expansion of the state-owned light industries in the plan, the development of the local publicly and privately owned light industries must be encouraged.

At the same time, orders will be placed with the factories south of the Great Wall. Private merchants will be encouraged and their development channeled along useful lines in order to provide the people with a greater variety of goods.

It is planned this year to import goods equivalent to US\$160,000,000 and export goods to the same amount—more than double last year's volume—striving to import industrial equipment and necessary raw materials and to expand the export of surplus materials.

This, in the main, is the plan for economic reconstruction. Compared with last year's plan it is a step forward. The realization of this year's plan is feasible because it is based on the actual material conditions, but between possibility and reality lies the whole process of serious struggles.

The burden borne by the peasants is less than in the previous year. In 1948, public grain formed 23 percent of the peasants gross output, in 1949 it formed 20 percent.

The state trading concerns and cooperatives provided the consumers with daily necessities amounting to 34 percent of the total volume of retail business. They also bought grain and other local products from the peasants. The increase in the part played in commercial activities by the state trading concerns and the cooperatives hit speculators and price manipulators and

ensured the relative market stability and the maintenance of the living standards of the people.

The following main conditions have determined the comparatively swift restoration of Manchuria's economy:

(1) The country is a people's state, led by the working class. The state machinery of imperialism, bureaucracy warlordism and Kuomintang has been thoroughly smashed. The Northeast People's Government serves the people.

(2) The new state has overthrown imperialism and the feudal and semi-feudal agrarian system, bringing real emancipation to the peasants. In the puppet Manchuria, the peasants paid 8,000,000 tons of grain tax annually, while the public grain they delivered in 1949 was 2,300,000 tons. Moreover, land rent has been completely cancelled. Most of the public grain has been invested in industry, becoming the capital for industrial construction.

(3) The people's state has confiscated the various enterprises and properties of imperialism and bureaucratic capitalism, and controls the big industries, railways, banks and large-scale trading machinery which affect the entire economy, and is making them submit to the interests of the people. On this economic basis, the planning and adjustment of the state economy is being carried out step by step although, at the beginning, these plans cannot be too precise.

(4) The great initiative of the working class in production after the liberation has been fully demonstrated by the rise of output. For example, coal output per man shift averaged 0.36 tons in Japanese occupied Manchuria. In 1949 it rose to 0.54 tons.

A survey of some of the factories and mines under the Industrial Department, shows that labour productivity increased by an average 32.83 percent in December, compared with June 1949. Seventeen thousand two hundred and thirty-two new records were marked up in 160 factories and mines, and large numbers of advanced workers have emerged, taking the lead in production and enjoying prestige among the masses. These are a great force, difficult to measure, who will be a most valuable asset in the future.

(5) The Communist Party had more than 20 years' experience in building bases against the Kuomintang and Japanese, and developed a considerable number of cadres. Even though their experience may not be adequate, they have acquired a specific ability to work under the new conditions and therefore play a great part in the work of reconstruction.

(6) Manchuria had the help of the Soviet specialists.

Tasks for 1950

In the field of public industry, the main products planned for the current year are: pig iron—720,000 tons (last year—172,000 tons); ingot steel—540,000 tons (last year—100,000 tons); rolled steel—340,000 tons (last year—72,000 tons); electrolytic copper—4,000 tons (last year—1,874 tons); electrolytic lead—4,000 tons (last year—2,062 tons)

The End of Monetary Inflation in China

(By a banker connected with the People's Bank of China)

By 1948, commodity prices in KMT China had soared to 7,730,000 times their pre-war level. The total volume of KMT banknotes in circulation, both north and south of the Great Wall, amounted by then to \$600,000,000 million (fapi), compared with \$1,400 million in 1937. The KMT were not the only ones to resort to printing unbacked currency as a convenient means for exploiting the Chinese people. The Japanese occupation forces also adopted this method to siphon China's national wealth into Japan's treasury. During their invasion of China, the Japanese issued three kinds of currency which circulated in Manchuria, North China and East China.

In 1948, the KMT government recalled all banknotes then in circulation and issued a new currency labelled Gold Yuan. The KMT originally issued \$200 million of the new banknotes, which they exchanged for the old ones at the rate of three million to one. However, about \$67,946,000 million (G.Y.) had been issued by the time of Shanghai's liberation. During the brief eight months of the Gold Yuan's career, prices rose 10,000,000 times.

Chiang Kai-shek's regime launched still another paper currency in Chungking and Canton during the summer of 1949, called the Silver Dollar certificate.

When the Central People's Government was founded in October 1949, it immediately turned to the task of halting inflation. This, of course, was the cornerstone for reviving production, building a planned national economy and stabilizing the people's living conditions. The Chinese government's deficit in 1949 had been about 60 per cent of its expenditures, which was the direct cause for the major price fluctuations during the year. The 1950

budget, announced in December made provisions for cutting this deficit to 18.7 per cent.

In March 1950, the government put into effect a detailed plan for centralizing its control over finance and economy. By means of this programme, the government announced, it could gradually balance state revenue and expenditures, balance the supply of essential commodities throughout the country, and balance bank receipts and payments. These developments (frequently referred to in China as the Three Balances) would make it possible for the government to stop issuing banknotes.

Balanced Budget & Taxation

The prime factor in checking inflation was balancing the national budget. To achieve this, government expenditures have been cut to a minimum and were restricted largely to the following four activities: financing the war; providing subsistence for those engaged in military and government work; relieving suffering in food deficiency areas; and rehabilitating certain key industries. All less urgent programmes are to be postponed for the time being. The government is also transferring as many administrative workers as possible to jobs in state-run enterprises, and rear-area army units are also being diverted to production. At the same time, all government and military personnel have been asked to carry out stringent economy measures.

The government also launched a nation-wide campaign to take inventory of all ex-KMT warehouses in order to recover unlisted and forgotten materials. Tremendous stores of valuable goods, far beyond all original expectations, had already been located during this fourth-month stocktaking drive. In many cases, this has meant that orders for foreign industrial goods could be cancelled and government expenditures thereby cut.

However, the most important single factor in balancing the budget was the introduction of a unified, efficient system of tax collection. Under the corrupt KMT rule, state enterprises and co-operatives were not taxed at all and private enterprises, if owned by a politically influential person, could evade tax payments or obtain a reduction through bribery. In those days a high proportion of all tax payments went into the pockets of the collectors. Today this tremendous leakage of government revenue has been plugged up. All enterprises, private or public, large or small, must pay their tax assessments which are based on unified and published rates. All tax returns are now deposited in the people's banks, which function as a national treasury. Public grain, collected as rural taxes, may be stored locally by regional governments but it remains under the full control of the central government.

The tax collection programme has been so successfully implemented this spring that it became possible, on June

1, to reduce tax rates on the summer wheat harvest by approximately one-fourth. Despite this rate reduction, total rural tax collections will surpass the original budget estimates, which had not taken Southwest China into account. However, due to the rapid liberation of this area and its prompt political consolidation, taxes are coming in from Southwest China in greater volume than during KMT times. Furthermore, almost every part of China has grown a bumper wheat crop. The central part of Shensi Province, for instance, recorded its best harvest in 20 years. For these two main reasons, grain tax rates could be reduced from 17 to 13 per cent of the harvest without reducing the total volume of grain collections. Methods of collecting urban taxes, which already surpass rural taxes in total volume, will also be adjusted soon to lighten the burden of various categories of businessmen.

Commodities Supply & Payments Balance

The second factor in checking inflation consisted of balancing on a nation-wide basis the supply of such essential commodities as grain, cotton, cloth, coal and salt. By shutting grain and other goods from surplus areas the government has put an end to the speculation and hoarding that had led to local or even national price fluctuations. Due largely to this reshuffling programme, which has been directed by the Ministry of Trade, prices in all parts of the nation are now approaching a common level.

Under the KMT, China always imported huge amounts of grain each year, while the Shanghai and Canton areas were almost entirely dependent upon grain imports. In actual fact, however, the country grows more than enough grain to supply its own needs and the only problem is transportation. Formerly grain transportation was left in the hands of private merchants who thought merely in terms of profits, not of relieving food-shortage areas or of stabilizing prices.

This year things are different and the government has taken on the monumental task of balancing grain supplies throughout the nation. The government's grain reshuffling programme for 1950 involves transporting 1,030,000 tons from Manchuria to the East China area; 110,000 tons from Southwest China to Hankow for redistribution; 339,000 tons from Central-South China to East and North China, as well as 401,000 tons to be redistributed within the region, principally to Kwangtung Province. Although this project involves a huge-scale mobilization of transport facilities, including railways, inland shipping, trucks, animal-drawn carts and human carriers, the programme is already so well along that its effects on market conditions are readily apparent.

The third factor in halting inflation was balancing the cash receipts and payments handled through state banking institutions. The People's Bank of China assumed a highly significant role

coal—17,000,000 tons (last year—11,000,000 tons); power consumption—2,000,000 KWH (last year—1,400,000 KWH); motors—6,800 (last year—1,109); machine tools—3,300 (last year—497); cement—430,000 tons (last year—218,000 tons); paper—50,000 tons (last year—22,800 tons); cloth—5,700,000 bolts (last year—2,450,000 bolts); yarn—235,000 bales (last year—120,000 bales).

According to this plan, and taking the price of 1943 as unchanged, then, the total value of industrial products of public industry in 1950 is planned to reach to 93 per cent of the value of the industrial production in 1949, or about the equivalent of 57 per cent of the level of industrial production in 1943 under the Japanese. And, of the total value of industrial production, the value of the means of production will occupy about 79 per cent, and that of consumer goods about 21 per cent. This is to say that, compared with 1949, the proportion of output of the means of production in the gross industrial output will have been raised.

in this respect by regulating the volume of currency in circulation through its credit policy. State banks also stand ready to place their funds at the disposal of the Ministry of Finance on the rare occasions, when it is necessary. This is another reason why the government has not needed to issue additional banknotes since March 1 despite its heavy investments in reconstruction. State trading companies and co-operatives, which now handle their transactions through state banks, have also exerted a stabilizing influence on the market by carrying out government-regulated buying and selling.

By achieving these Three Balances — the budget balance, the balance of the supply of essential commodities, and the balance in cash receipts and payments — the government was able to bring the 12-year inflation to a sudden halt.

Results of Stabilization

The end of inflation immediately manifested itself in the drop of commodity prices throughout the nation. This was depicted in statistics compiled by the People's Bank of China on the basis of 80 assorted commodities. Taking February 28, 1950, as 100, price indices for various major cities were as follows on May 10:

City	Retail Price Index
Canton	79.6
Peking	76.2
Tientsin	75.0
Shanghai	74.8
Hankow	66.6
Chungking	53.3
Sian	50.2
National Average	71.2

The preceding table also indicates the tendency of prices to become equalized throughout all parts of the country. Prices in recently-liberated Chungking and Sian were much higher than elsewhere in February due to a shortage of commodities. However, little more than two months later, prices in these cities had fallen into line with those in areas liberated earlier.

As prices dropped, interest rates on bank loans fell off abruptly. During the Gold Yuan period when the KMT financial crisis was at its height, interest rates rose as high as 120 per cent per day. In other words, if you took a loan of \$100 in the morning, that afternoon you would have to repay it with \$220. The terms of loans were constantly shortened until they came down to even half-day periods. Today loans are no longer computed on a daily basis, but on a monthly basis. The accompanying table shows how interest rates have dropped since March when prices stopped advancing.

Monthly Interest Rates on Loans Extended by Private Banks in Major Cities

City	Feb. 28 per cent	May 18 per cent
Shanghai	42.0	3.0
Tientsin	63.0	4.5
Hankow	45.0	4.5

The interest rates on loans granted by the People's Bank of China are still lower than those of private commercial banks, ranging from 2 to 3 per cent per month. At present, these rates are continuing their downward trend.

As inflation came to an end, popular confidence in the people's currency increased to a marked degree. Under

Chiang's rule, KMT paper money virtually lost its function as a medium of exchange and was driven from the market by gold, silver and foreign banknotes.

The newly-founded Central People's Government was, therefore, immediately confronted with the tremendous task of establishing a legal tender. As the purchasing power of the people's currency steadily rose (it has increased 30 per cent since February), the public's attitude toward paper currency changed considerably. Between the end of February and May 11, gold prices in various cities fell 16 to 23 per cent. During the same period, silver prices dropped between 31 and 47 per cent in different areas. Foreign currency exchange rates also gradually declined. Between March 15 and April 22, for instance, Canton's black-market price for Hongkong dollars fell 35 per cent. Due to this development, people are now offering their foreign currency holdings to the People's Bank of China on a scale unprecedented in recent times.

In the course of the past 12 years, the Chinese countryside developed a barter system or in some cases turned to rice and salt as the prevalent mediums of exchange. It became extremely difficult for paper money to penetrate into rural areas. But today the situation is largely changed. The peasants are learning that it is more convenient to keep their wealth in the form of paper currency than in commodities or bulky silver coins.

Another phenomenon brought about by currency stabilization is the sharp increase in bank deposits, a further reflection of general growing confidence in the people's currency.

The volume of deposits is steadily moving toward the pre-war level, when the total amount of deposits in modern and old-style private banks ranged from two to three times the volume of currency in circulation. It is interesting to note by way of contrast that during the height of the inflation, bank deposits fell to less than one per cent of the pre-war amount, when compared in terms of real value.

**Bank Deposits in Major Cities on May 6
(February 28=100)**

	State Banks	Private Banks
Shanghai	303	169
Tientsin	257	154
Hankow	239	181
Canton	218	616
Chungking	877	252

The circulation speed of current deposits has also been reduced. Formerly was quite common for a cheque to change hands three times during a day. the average weekly circulation

speed of cheques, according to statistics compiled by private banks in Shanghai, has been retarded as follows:)

	times per week
January	1.89
February	2.49
March	2.08
April	0.31

Because of these healthy developments in the banking field, banks now have a sizeable amount of ready cash to invest in national reconstruction. This phenomenon itself will help to further stabilize China's economy.

All of the above-mentioned factors, taken together, lead to the following conclusions. Inflation has already been halted in China. The purchasing power of the people's currency has been substantially raised in both domestic and foreign markets. The Chinese people now have a solid economic foundation upon which to build their lives.

FOREIGN LOANS TO CHINA

By KAO PING-SHU

PREWAR FOREIGN LOANS

China first became involved in foreign loans in 1865, when she was forced to borrow 1,432,665 pounds from a London bank for indemnifying certain Russian losses incurred in Yili. In the following thirty years she continued to borrow from foreign merchants in order to build up her navy to meet defense requirements. These loans were repaid when due and none of her creditors became involved in China's administration.

In the year 1894, however, China and Japan were involved in a war, and China was forced to borrow from British merchants for sufficient financial backing. She lost the war, nevertheless, and was forced to pay a tremendous indemnity to Japan, and because of this, China went to France, Russia, England, and Germany for loans. It was not long until these foreign loans began to play an important role in Chinese politics, for, as Dr. W. W. Willoughby and Mr. Tamura Kasaku have pointed out, the creditors used the fact that they had lent China money, as an opportunity for encroachment into the internal affairs of China.

While merchants and other individuals were technically the lenders of money, the foreign governments of the creditors, and their representatives, participated officially and in this way the interpretation and application of the terms of the loans were more or less treaties between China and the Western Powers involved. There was a political implication in each of these loans because of the fact that the foreign governments taking charge of the loans only meant to invest the money by means of loans, but eventually aimed at an invasion of China's territorial and administrative integrity.

After 1898, foreign lending to China concentrated on railway loans. By obtaining the rights to build a railway and taking charge of her management, as well as a lease of the territory along the roadbeds, foreign powers divided China into "spheres of influence." From the time of the Peking-Hankow Railway loan in 1898 to that of the Shanghai-Hangchow-Ningpo Railway in 1908 there were ten railway loans. In 1901, because of the Boxer Rebellion, foreign powers demanded an indemnity of 450,000,000 customs taels, which the Manchu Government found difficult to pay, therefore, an arrangement was made whereby it could be settled over a period of thirty-nine years, at four per cent annual interest. The total sum of principal and interests amounted to almost 1,000,000,000 customs taels. Although this was classed as an indemnity, it was no different from other foreign loans.

In the early years of the founding of the Chinese Republic, reorganization loans also reflected the aims of the lending powers to become involved in co-administration of China. The Four-

Power Consortium — later Six-Power Consortium — an international organization, aimed to gain a monopoly over Chinese national economic life, and strained relations were aroused between China and these other nations. At that time the Peking Government was headed by warlords who used foreign loans to gain personal power and to suppress revolutionary activities against them. Thus these loans indirectly were the cause of endless civil strife and wars in China.

Prior to World War I, China's foreign loans were generally from Great Britain, France, Germany and Russia. After the outbreak of that war, however, these powers were too busily engaged in the struggle to attempt to further influence Chinese investments and Japan grasped the opportunity to come forward with an offer to lend China a large sum of money. From 9.6 millions in American dollars in 1914, Japanese loans speedily increased to 224.1 millions in 1931. This enormous sum monopolized the Chinese financial market, despite Great Britain's deeply rooted supremacy as a creditor to China in previous years. Japan now had a ratio of 38.2 against Great Britain's 36.1. It was at this period that the United States also began to increase its loans to China.

After the establishment of the National Government in 1927, because of her poor credits in previous years, China was very careful to consider the loans she made with foreign countries. In 1931 she obtained a wheat loan from the United States for flood relief, and in 1933 a cotton-wheat loan. In July 1937, near the outbreak of the Sino-Japanese war, because of the need of an extension of railway construction, China negotiated loans from Great Britain, Germany, France and Belgium. In addition, the Ministry of Communications also secured some rather small loans from foreign companies.

(1) Early Foreign Loans

After the first foreign loan, China borrowed from a British bank a series of three loans. The first of these was concluded in 1867, for the financing of a military campaign into Yili. This loan of 1,000,000 taels was secured by Shanghai customs revenue. In 1874 a second loan of 2,000,000 tael was concluded when China sent an armed force to pacify Formosa. This bore interest at 8 per cent and was also secured by Shanghai customs revenue. Both of these loans were raised when the time for payment came from among foreign merchants in Shanghai. The third loan, for 5,000,000 taels, for the pacification of the South West, was concluded in 1877. It was obtained from the Hongkong and Shanghai Banking Corporation and secured by customs revenue in Canton, Wenchow, Shanghai, and Hankow, with an interest of 15 per cent.

China in 1878 obtained three loans for the purpose of establishing a navy. The first of these was for 2,500,000 marks from Germany and bore interest at 5½ per cent. The next year a second loan of 16,150,000 taels with interest at 7 per cent was obtained from Great Britain, and after that another loan from Germany for 5,000,000 marks. All these three loans were secured by Chinese customs revenue and were spent in the establishment of a Chinese Navy, which, however, was practically destroyed during the Sino-Japanese War of 1894-1895.

The above seven loans, totalling something less than 40,000,000 taels, which when converted into silver dollars amounted to 57,189,137, were paid before 1902. Great Britain was the largest creditor, and while the Germans charged less interest rate, the principal was quite small.

(2) Japanese War Indemnity

The war with Japan in 1894-1895 was forced upon China by Japanese entry into Korea. China was in no way prepared for the war, especially financially, therefore, her only alternative was to borrow from abroad. Consequently, two foreign loans were concluded; one in 1894 and the other in 1895. Both of these loans were financed through the Hongkong and Shanghai Banking Corporation. The first was for 10,000,000 taels and bore an interest of seven per cent and was issued at 98 and secured by customs revenue, with a term of twenty years. The second loan of 3,000,000 pounds bore interest at six per cent and the issuing price, the term and the securities were similar to the previous loan.

Since China was wholly unprepared for the gigantic struggle with Japan, defeat was inevitable and she was forced to pay a large indemnity, which increased the financial burden of the Chinese people. Besides the indemnity of 200,000,000 taels paid to Japan, China was also forced to cede Liaotung Peninsula to the victor. The Treaty of Shimonoseki was signed on April 17, 1895, but suddenly six days later the representatives of Russia, Germany and France at Tokyo separately presented to the Tokyo Foreign Office identical notes intimating that Japan's retention of this strip of land was considered by them as not only imperiling the Chinese capital, but also rendering Korea's independence illusory, and was, therefore, prejudicial to the permanent peace of the Far East. They suggested that Japan return that territory to China, to which Japan agreed, but as compensation demanded an additional indemnity of 30,000,000 taels.

The enormous war indemnity to be paid to Japan further aggravated the problem of China's foreign indebtedness, and with the thought of solving this difficulty, China contemplated the appointment of Sir Robert Hart to take charge of the financial arrangements with other countries when the payment of the first installment of the indemnity came due. Russia strongly objected to Hart's appointment, however, and a

joint Franco-Russian loan, guaranteed by the Russian Government was suggested as a substitute. The Manchu Government agreed and the loan of 400,000,000 francs was concluded, with an interest rate of four per cent and a term of 36 years. It was issued at 94%, and secured by the customs revenues, in addition to the guarantee promised by the Russian Government.

Great Britain, fearing that her prestige in the Far East might be impaired, became greatly alarmed over this joint loan to China. In order to preserve her balance of power and to counteract the joint Franco-Russian loan, she enlisted the assistance of the Germans and forced China to accept two loans. One of these was the Cassel loan of 1895 for 1,000,000 pounds, and bearing interest at six per cent and contracted with the Chartered Bank of India. The term was twenty years and it was issued at 95½ and secured by the customs revenues. The other was the Nanking loan of 1895, and placed with a German firm, but the conditions were similar to those of the previous loan with the exception that the Kiangsu likin and salt taxes were added as securities.

When the second installment of the indemnity became due, China again turned to foreign individuals for loans. The Anglo-German group demanded that the loan be issued at 89½ with an interest of five per cent. China objected to such harsh conditions and sought in vain to raise loans from other sources. Since the indemnity had to be paid within a few weeks, the French minister, with the backing of the Russian minister at Peking, offered a loan on the following conditions: (1) The French government was to guarantee the loan, (2) in return for this, China should turn over to the French the Imperial Customs Service Administration, and (3) she was to grant them certain special privileges in Kwangtung, Kwangsi, and Yunnan.

These three proposals were, of course, inimical to the best interests of China, as well as to those of the British in China. Consequently, Hart, the British chief inspector-general in the employ of the Chinese Imperial Customs Service, undertook to persuade the Anglo-German group to modify their terms. As a result of this effort, the Anglo-German loan of 1896 for the sum of 16,000,000 pounds was concluded. The term was 36 years and the interest five per cent. It was issued at 94 and secured again by the customs revenues.

In the spring of 1898, China decided to raise a large loan to pay off the full amount of war indemnity owed to Japan, since it was stipulated in Article IV of the Shimonoseki Treaty that all the interest would be waived if the entire indemnity were paid within three years after ratification of the treaty. The Russian minister at Peking, therefore, suggested a loan at four per cent, with an actual payment at 93 per cent. In return, Russia demanded: (1) The appointment of a Russian chief-inspector-general in the Imperial Customs Service in place of

Hart, and (2) Certain railway rights in North China.

The British minister sought to counteract the Russian proposal by suggesting a loan at five per cent interest with actual payment at 94. In return, Britain demanded financial control in China and railway rights from Burma to the Yangtze Valley. Both the ministers of Russia and France objected strongly to the British proposals. Facing these demands, China was forced to decide not to raise any foreign loans for the time being and asked Japan for the privilege of postponing for twenty years the fourth installment of the indemnity. This Japan refused. Finally, an Anglo-German loan of 16,000,000 pounds was concluded with an interest rate of 4½ per cent and a term of 45 years. It was issued at 83, and secured by customs revenue; one charge to be on salt tax, and four specified likin (local toll tax) revenues.

The object of the Manchu government in attempting to contract a loan for the payment of Japanese indemnity was to recover Wei-hai-wei from Japan, and to cancel all interest of the indemnity within six years. As has been shown, these objectives were not

attained. China was forced to lease Wei-hai-wei to England after recovering it from Japan, but was actually merely transferred from the control of one foreign power to another. The total interest on the indemnity for the six years was slightly more than 10,000,000 taels, whereas the total interest on the Anglo-German loan of 1898 for five years was 21,500,000 taels. Moreover, there was no discount on the payment of the indemnity, and China actually received 83 per cent of the proceeds from the 1898 Anglo-German loan, which meant a further loss of 10,000,000 taels. In addition, the indemnity was counted in Kuping taels. The Anglo-German loan of 1898 constituted a gold debt, however, and because of this, China suffered further losses due to the fluctuation of exchange rates.

(3) Boxer Indemnity

As one of the severe punishments of the Boxer Rebellion of 1900, an immense indemnity of 450,000,000 haikwan taels was imposed upon China. According to the Peace Treaty of September 7, 1901, this indemnity was divided as follows:

Country	Amount in Taels	Percentage
Russia	130,371,120	28.97
Germany	90,070,515	20.01
France	70,878,240	15.75
Great Britain	50,620,545	11.24
Japan	45,793,100	7.73
United States	32,939,055	7.31
Italy	26,617,005	5.91
Belgium	8,484,345	1.88
Austria-Hungary	4,003,920	.88
Netherlands	782,100	.17
International Claims	149,670	.04
Spain	135,315	.03
Portugal	92,250	.02
Sweden and Norway	62,820	.01
TOTAL in Haikwan taels	450,000,000	100.00

The charges for this indemnity were for claims of states, companies or societies, private individuals, and Chinese who suffered loss or injury through their employment of foreigners during the Boxer uprising. This indemnity constituted a gold debt bearing interest at 4 per cent, to be paid at the rate of haikwan taels to the gold currency. The sum was divided into five serials and the period of payment was to be 39 years. The serials and payments were as follows:

Serial A—75,000,000 taels, to be paid within the period of 1902 and 1940;
Serial B—60,000,000 taels, to be paid within the period of 1911 to 1940;
Serial C—150,000,000 taels, to be paid within the period of 1915 to 1940;
Serial D—50,000,000 taels, to be paid within the period of 1916 to 1940;
Serial E—115,000,000 taels, to be paid within the period of 1932 to 1940.

For the security of the payments, the following national revenues of China were assigned:

1. The balance of the revenues of the Imperial Maritime Customs after payment of the interest and amortization of proceeding loans secured on these revenues, plus the proceeds of

the raising to 5 per cent, effect of the tariff on maritime imports, including raw materials on the free list, but exempting foreign rice, cereals and flour, gold and silver bullion and coin;

2. The revenues of the native customs should be administered in the treaty ports by the Imperial Maritime Customs.

3. The total revenue of the Salt Gabelle, excluding the fraction previously set aside for other loans.

From the accruing of maritime and native customs, the annual charge of the indemnity was paid in full and no loan was contracted for the payment of the Boxer indemnity except in 1905 a loan of 1,000,000 pounds was concluded with the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank for the "Exchange adjustment of the Indemnity." This loan was paid in 1915.

The Boxer indemnity was excessive, and this was realized by the United States, which returned a surplus to China. It was suggested by President Theodore Roosevelt that Congress

adopt a Joint Resolution on May 25, 1908, authorizing the President to modify the indemnity bond US\$24,440,000 to the sum of US\$13,655,492.69, with interest at four per cent. The remainder of the indemnity was to be returned to China as an act of friendship, to be used as funds for the education of Chinese students in American colleges. In May, 1924, Congress of the United States decided to remit the balance of the Boxer Indemnity, consisting of US\$6,137,552 due the United States, this also to be used for further developing cultural and educational activities in China. Since that time the United States agreed to waive all further claims on the Boxer Indemnity. Installments, however, are still nominally due to the creditor. These installments are administered by a board which plans and carries out the entire program for educational purposes.

Britain's claim of the Boxer Indemnity originally amounted to 16,537,000 pounds, or a principal of 6,935,319 pounds with interest of 4,251,228 pounds, or a total of 11,186,547 pounds to be paid by China in 1945. By Parliamentary Act of June 30, 1925, however, the entire balance was also remitted to China for cultural purposes. An advisory committee of eleven members was formed, two of the members to be Chinese. In December, 1931, the Indemnity Bill was read in the British Parliament, the Act of 1925 was repealed and replaced by a law which read that of the sum of the Boxer Indemnity received, one half was to be reserved by the Purchasing Commission in London and the other half devoted to educational purposes. The work of the Purchasing Commission was the buying of such machinery and railway materials to be shipped to China as were required for reconstruction purposes.

The largest share of the Boxer Indemnity, namely, 42,476,000 pounds, or 29 per cent, was obtained by Russia. In 1924, however, the Soviet Government relieved China from further obligations and the indemnity was relinquished unconditionally. France's share was 580,000,000 francs, or 23,023,000 pounds. In 1925, this Indemnity also ceased as such, since the total outstanding amount was used to satisfy the claims of the Far East creditors of the Banque Industrielle de Chine. A separate loan was floated in 1935 for the specified purpose in the sum of US\$43,893,500. The share claimed by Holland of the Boxer Indemnity was 3,066,000 guilders, or 225,000 pounds. Following the example of the other countries, after 1938 Holland also ceased her further claims.

In 1928, the unused portion of the Belgium Boxer Indemnity ceased to exist, and it was converted into a special loan of US\$5,000,000, forty per cent to be used for the extension and repair of the Lunghai Railway, 35 per cent for the construction of other railroads in China, and the remaining 25 per cent for educational and charitable purposes. The original amount

due to Belgium had been 69,447,000 francs, or 2,759,000 pounds. Approximately US\$1,000,000 was still outstanding when the Chinese foreign loan service was suspended. The original sum due to Italy was 218,868,000 francs, equal to 8,659,000 pounds. The outstanding balance of the Italian share, about US\$20,000,000, was arranged for remittance in 1933 when Italy agreed under certain conditions to be a creditor of China. A loan of CN\$44,000,000 was raised by China from Chinese banks and given as security bonds based on the remitted balance of the Italian Boxer Indemnity.

Japan's original claim aggregated 106,854,000 yens, equal to 10,899,000 pounds. In late 1922, China began her negotiation with Japan to try to find a mutual and suitable basis for the disposal of the outstanding balance. This negotiation continued for many years, but no satisfactory result was reached, and in 1938 China ceased to pay monthly installments to Japan on account of war.

Next to Russia, Germany was the largest recipient of the Boxer Indemnity, with a share originally of 600,271,000 marks, or 29,442,000 pounds. Austria's claim was 31,418,000 kronens, which were equivalent to 1,313,000 pounds. The indemnities of these two countries were cancelled when China joined the Allies and declared war in 1917.

There were smaller claims of Boxer Indemnity, notably Portugal and Sweden. The former claimed 30,203 pounds and the latter 20,568 pounds. Other international claims of less than 50,000 pounds, were in the main liquidated.

(4) Reorganization Loan

The currency reform movement began soon after the end of the Sino-Japanese war of 1894-1895, but no definite step was taken until 1911, when a loan of 10,000,000 pounds was arranged with the Quadruple Group, composed of Great Britain, the United States, France, and Germany, all of whom had a financial interest in China. The loan was issued at 95 and bore interest at five per cent. The term was 45 years and was secured by wine, tobacco, production and consumption taxes in Manchuria, and by the new surtax on salt in the province. In reforming her currency, China was to be assisted by a representative of the group, preference being given to the group for a loan or loans for the development of industries in Manchuria. Due to the outbreak of the Revolution in the latter part of the year, this loan was never actually floated.

The negotiation for a Reorganization Loan began in 1913. The initial step was taken early in 1912 when the Peking Government applied to the Quadruple Group with a view to obtaining 60,000,000 pounds for the reorganization of China's democratized administration. The term for this loan offered by the Group was undesirable to the Chinese, who had to resort to other sources. Consequently, in March of the same year, a loan of 1,000,000 pounds was

concluded between China on the one hand, and a British-Belgian Syndicate, on the other. The conclusion of this loan caused a strong protest from the Quadruple Group, who alleged that China had violated her promise. The protest was backed up consistently by the Ministers of Great Britain, the United States, France, and Germany at Peking.

From the action taken by the Quadruple Group Ministers, it was clear that they desired to secure a certain degree of control over China's finance. Meanwhile, Japan and Russia, watching the international politics involved in the loan negotiation, desired to maintain their own positions in the Far East. To further this wish, they sought admission to the group with the result that in June 1912, the two countries were admitted to the Consortium.

The group then offered to reopen the negotiations of the Reconstruction Loan and demanded that China immediately cancel the loan of Belgium. This China did, and the negotiations were resumed. Premier Tang Shao-yi and Finance Minister Hsiung Hsi-ling represented China with representatives of the group. As a result of the latter's harsh demand for strict supervision of China's finance, the negotiations again failed.

Meanwhile, private financial syndicates had been seeking negotiations with China, and on August 12, 1912, a loan agreement between China and the British firm of C. Birch Crisp Company was signed in London. This loan was for 10,000,000 pounds and bore 5 per cent interest and had a term of forty years. It was secured by salt revenue, subject to prior charges, but no control was made over China's financial administration. The purposes of this loan were declared to be "to provide capital for the repayment of existing loans, and for the reorganization of the government and for productive works."

After the loan was concluded, British Foreign Office informed Mr. Crisp that although "His Majesty's government were not, of course, in a position to put pressure on the syndicate interested in the loan, but they could put considerable pressure on the Chinese government, and would not hesitate to do so at once." As a result of this, the Crisp loan was a failure. The contract was cancelled, except for that part which had already been advanced, thus only one half of the 10,000,000 pounds was issued.

In order to settle the question amicably among the Sextuple Group, at the meeting the French Minister demanded that a French adviser be appointed, on the ground that the major portion of the money would come from France; and the Russian minister asked that a Russian adviser be engaged because of Russia's predominant share in the Boxer Indemnity, and, consequently, in the lien on the Salt Gabelle. Germany was suggested as the proper nation to control the British section of the Tientsin-Pukow Railway, in case an Englishman were to be nominated in the advisorship on the Salt Gabelle. To this Mr. R. R. Gibson commented: "Can

we imagine anything more degrading to a nation's pride than to hear such things? Can we also imagine anything more degrading to a nation's sense of decency than to propose such things?"

Because of the group's refusal of President Woodrow Wilson's request that they continue loan negotiations with China, and disturbed by the struggle for supremacy among the diplomats of the Powers in China, the American group withdrew. This withdrawal called the world's attention to the dangerous situation in the Far East, and the struggle by the Western Powers for appointment of prominent places for their advisers in China. The Chinese regarded the American attitude as a friendly gesture, but it was viewed by some Americans with unreasonable alarm.

Following the American withdrawal from the Six-Power Consortium, negotiations of the Reconstruction Loan were hastened, probably because of the group's fears of additional independent loans. At that very moment, however, China successfully arranged for two Austrian loans in the sum of 3,200,000 pounds. Nominally these loans were for the purpose of building a number of torpedo boats for China in the Austrian dockyard, but a substantial part of the sum went to replenish the empty treasury.

The final agreement of the Reorganization Loan, which contained twenty-one articles and six annexes, was signed on April 26, 1913. It may be summarized as follows: The sum of the loan was 25,000,000 pounds, one half of which was to be used for the payment of old debts and the other half for the disbanding of troops, reorganization of the Salt Gabelle, and for other administration purposes. This loan bears 5 per cent interest and has a term of 47 years. The issue price was not to be lower than 90, and with 6 per cent commission allowed for the bankers, the net proceeds turned over to China was actually 84 per cent. The securities for this loan were: (1) the salt revenue, (2) the customs revenue, and (3) certain internal revenue in Chihli, Shantung, Honan, and Kiangsu. But in 1922 it was secured by the maritime customs revenue.

(5) Foreign Loans During World War I

When the European War broke out, Western Powers were too busily engaged in the struggle that they had neither energy nor surplus capital to invest in China. This was the time for Japanese capitalists to come in to keep up the game. Besides loans to railways, they made many others on the securities of telegraph, telephone, forest, and mines, or the treasury notes of the Peking government. In an official Japanese government report, it is shown that the loans were not only approved by the Japanese government, but the banks were given additional power to float them.

The majority of these Japanese loans were secretly concluded during the Terauchi regime in Japan. It is necessary to point out that some of them have never been submitted to or ap-

proved by the Chinese Parliament. According to newspaper reports, a great part of the proceeds were spent by the warlords in waging civil wars. A report taken from the *Far Eastern Review*, instructive as to the nature and extent of the obligations contracted from Japanese sources, is as follows:

Loans were granted by Mitsui Bussan Kaisha: 1,000,000 yens to Hankow Water Works and Electric Light Company, for construction purposes, in 1912. It was guaranteed by the Chinese Ministry of Communications; 2,000,000 yens to the Printing Bureau of the Chinese Ministry of Finance in 1918. For this loan it was agreed by the borrower that all printing materials were to be bought from the lender, if the prices were not higher than those of competitors; 3,000,000 yens for the construction of wireless stations, also in 1918. The agreement for this loan was similar to the one concluded with the Printing Bureau.

The Japanese Banking Group in 1917 granted 5,000,000 yens to the Chinese Ministry of Communications for the redemption of notes of the Bank of Communications. It was secured by 1,500,000 shares of bank stock and 4,000,000 Chinese dollars treasury bonds. In addition to these securities, the Japanese also obtained the privilege of appointing an adviser to the bank and held optional power on future loans. 5,000,000 yens to the Bank of China in the same year, for redemption of bank notes. It was secured by \$15,000,000 Bank of China notes for six months at an interest of 7 per cent. And in 1918, 30,000,000 yens to the Kirin Forest Reservation, for a term of ten years and bearing an interest of 7.5 per cent. It was secured by the Kirin and Heilungkiang gold mines and government forest.

The Bank of Chosen, Bank of Taiwan, together made the following loans: and the Industrial Bank of Japan 20,000,000 yens to the Bank of Communications in 1917. Again, in 1918, for the second time, a loan of 20,000,000 yens to the same bank. In order to defray the expenses of China's participation in the European War, 20,000,000 yens were again granted.

Yokohama Specie Bank, in 1917, and twice in 1918, granted 10,000,000 each time, as a Second Reorganization Loan to the Peking Government. These loans bore an interest of 7 per cent, and were secured by surplus salt revenues. In 1918, 10,000,000 yens were again granted to the Peking Government, for the control of plague. This loan was repaid within ten months after issuance.

In 1916, the Chinese-Japanese Industrial Development Company concluded a loan of 2,000,000 yens to the Hankow Paper Mill; and in 1917, the company, together with ten Japanese banks, concluded a loan of 5,000,000 yens to the Peking government for the relief of flood sufferers in Chihli province.

For general purposes, in 1915 the Peking government obtained a loan of 5,000,000 yens from the Asiatic Development Company. It was secured by certain mining concessions in Honan and Anhwei and by the profits from

brass-melting. The interest on this loan was 6 per cent. In 1916, the Tientsin Spinning Mill obtained a loan of 600,000 yens from Okura Gumi. In 1917, the Nankow Hydraulic and Electric Company obtained a loan of 1,000,000 yens from Toa Togyo Kwaisha. For the maintenance of Grand Canal, the Peking government received a loan of 2,500,000 gold dollars from the Industrial Bank of Japan in the same year. In 1918, the Telegraph Administration of the Peking government obtained a loan of 20,000,000 yens from the Sino-Japan Exchange Company for the extension of telegraph land lines. This loan was secured by all telegraph properties not previously pledged. In the same year, another loan of 14,000,000 yens was concluded by the Peking government with Tai-hai Kunei Syndicate. The purpose of this loan was not specified.

During the period from 1916 to 1918, Japan not only granted loans to the Peking government, but she also granted monies to the provincial governments of Chihli, Kwangtung, Hunan, Fengtien, Shantung, Fukien, Kiangsi, and Chekiang separately. By carrying out her loan policy, she was thus able to keep China's provincial military governors in civil war at all times.

The Bank of Taiwan granted to the Kwangtung provincial government loans of 600,000 and 1,500,000 yens, respectively. The Japanese Banking Group also granted to this government loans of 3,000,000 yens, 1,300,000 yens, and 1,700,000 yens. The latter loan was for the construction of the cement factory in Kwangtung, and was secured by revenue and property of the factory. A loan of 2,000,000 yens was granted to Tan Hao-ming, provincial military governor of Hunan. This loan was said to be secured by the rights of co-operation in working iron mines in Taiping-shan, Anhwei; and antimony mines in Shuikoushan, Hunan. The term for this latter loan was five years, with interest of 7 per cent. The Mitsui Bussan Kaisha granted two loans of 1,000,000 yens each to Chihli. One was for military purposes and secured by shares of Kailan Mining Administration. The other, guaranteed by the Chinese Ministry of Finance, was for purchasing yarns for Chihli spinners.

The Bank of Chosen granted the following loans: 1,000,000 yens to Chihli province, and 2,000,000 yens and 3,000,000 yens, respectively to Fengtien province. The former was for the relief of Chinese banks in Mukden, one half payable in one year, and the other half in three years. The latter was for the redemption of small coin notes, and was secured by stock in Penchiu collieries owned by Fengtien province.

The China-Japan Industrial Development Company granted loans as follows: 250,000 yens to Chiashan, Chiahshing and Pinghu in Chekiang for electric lights; 80,000 yens to Hengchow Electric Light Company, and another loan of 50,000 yens to Hsiangtao Electric Company. These two companies were in Hunan province; 3,000,000 yens to Kiangsi for Yukan mines; 1,000,000 yens to Fukien for general purposes, and

1,500,000 yens to Shantung province. No specified purpose was given for this last loan.

During the period of World War I, the United States also granted loans to China. In 1914, a preliminary agreement of Hwai Conservancy loan was concluded between the Peking Government and the American National Red Cross. From this agreement, China obtained a loan of \$2,000,000 gold, or such sum as might be found necessary for the conservation of Hwai River and flood prevention. Due to the outbreak of the war, nothing was accomplished, except that a board of American engineers investigated the river and rendered a report and recommendation to China.

On April 7, 1916, the Lee Higginson and Company of Boston contracted a loan of US\$5,000,000 to China, which was floated in the form of three-year Chinese treasury gold notes, which had been redeemed. In that same year also, the Continental Trust and Savings Bank of Chicago contracted a loan of US\$5,000,000 to China for the purpose of helping out in the industrial situation, including internal development, strengthening of the reserves of the Bank of China, the Bank of Communications, and other similar purposes. The direct securities for this loan were the sales taxes on tobacco and liquor. In addition, a general merchandise tax of Honan, Anhwei, Fukien, and Shensi was also named as secondary security. In order to clear this debt, and the interest of US\$150,000, China in 1919 obtained another loan of US\$5,500,000 from the Continental Trust and Savings Bank of Chicago. In the same year she also obtained US\$5,500,000 from the Pacific Development Corporation for military payrolls which were in arrears, as well as the payment of certain foreign obligations. The security was sales tax on tobacco and liquor. The interest of this loan was six per cent, however, at the beginning of December, 1921, it was raised to eight per cent.

Great Britain during this period also granted a few loans to China. Under the agreement of February 14, 1914, the British and Chinese Corporation extended a loan of 375,000 pounds to China, which was secured by a lien upon the surplus revenues of the Peking-Mukden Railway. This loan was for the purpose of making payment of old debt to the Okura Company, a Japanese firm.

In 1918, the Chinese Ministry of Military Affairs contracted a loan of 600,000 pounds from the Marconi Wireless Telegraph Company, a British firm, for the purchase of two hundred wireless telephone machines at the price of 300,000 pounds, with half of the loan to be an appropriation of the Peking Government. The term of this loan was for ten years and it bore interest at eight per cent. Under the agreement of October 1, 1918, the Peking Government obtained a loan of 1,803,200 pounds from Messrs. Vickers, Limited, for the purchase of one hundred commercial airplanes and airplane accessories. This loan also had a term of

ten years and a like interest rate of eight per cent, but no security was required.

The Banque Industrielle de Chine, a French firm, granted a loan of 150,000,000 francs to China in 1913. This loan was designated for "the improvement of the port of Pukow, the establishment of national industries and the construction of national public works." But only 100,000,000 francs were advanced. It was guaranteed by industries which were established by the loan, and tobacco and liquor sales taxes in the provinces north of the Yangtze Valley.

Besides the above mentioned loans, there were many smaller ones. For example: (1) Tuition debt, such as tuition of 97,000 yens which the Bank of Taiwan advanced for the Chinese students in Japan in 1919; (2) Loan for payment of merchandise previously purchased, that is, merchandise obtained on part or entire credit, but paid by installments with interest. For instance, the debt of US\$118,936 owed by the Shanghai Mint to an American firm in 1922. (3) Indemnity. This kind of debt was due to the damage to foreign property and injury of foreigners. As, for example, in 1921 CN\$83,000 was to be paid to the American church mission in Liling, Huanan. (4) Foreign governments advance, in 1918 and 1919 the British government advanced 123,369 rupees for the repatriation of Chinese and Chinese troops in Tibet. (5) Interest payment advance. That is, when payment for interest on loans due, China could not pay and the interest was advanced by creditor as a new loan and an agreement was again signed. For instance, an advance of 10,267,655 yens was made for payment of interest by the Bank of Taiwan, Bank of Chosen, and Industrial Bank of Japan for the loan which China used in participating in the war against Germany. The five mentioned loans are considerable in amount, but, because of the difference in nature, they need not be listed separately as formal loans.

Regarding provincial loans, there were others than those of Japan which we have mentioned: The Shanghai Chamber of Commerce Market Adjustment Loan of 941,500 taels and 2,000,000 taels in 1911 and 1912 respectively, and the seven per cent silver loan, amounting to CN\$3,200,000, to Kwangtung in 1912, from England. The Yunnan's Lung-Hsin Mining Company Loan of 1,800,000 taels in 1911, and Tonkin Opium Bureau Loan of 2,500,000 taels in 1913 from France. There was also the Chekiang Ammunition Loan of 5,000,000 marks, Chihli's Jui-Kee Loan of 800,000 pounds, Military Loan of 2,000,000 marks, and Nanking Carlowitz Loan of 4,200,000 marks from Germany in 1912. In 1913, there was the Hankow Market Construction Loan of 3,500,000 pounds from the United States. Many of the above loans only appeared in newspaper reports and were never actually floated, or if floated, were repaid long ago. It is, therefore, difficult to secure accurate data about them.

(6) Railway Loans

China's railway loans began in 1887. At that time the Manchu Government realized that railway communications were important to national defense and made a decision to construct Hsuku-chuang-Tientsin Railway, which was gradually extended to facilitate military transportations. Mr. Li Hung-chang, the railway's administrator expected to collect 1,000,000 taels of the stock, but the people and officials were not interested in the railway. Consequently, only 188,500 taels were obtained. It was, therefore, necessary to raise foreign loans in order to carry out the construction of the railway, and a loan of 637,000 taels was concluded with the British firm, Jardine, Matheson Company; and another loan of 439,000 taels with the Deutsch-Asiatische Bank. The total amount of these two loans was 1,076,000 taels. Extension of the construction of the railway line to Yikwan called for additional small loans, making a total of 2,800,000 taels. At that time there was no intervention in the administration of the railway by foreign creditors.

Since the Sino-Japanese War of 1895, many important railway concessions were made, notably the Chinese Eastern Railway contracts of December 4, 1896 with Russia, and the Yunnan Railway contract of April 9, 1898, with France. On March 6th of the same year, China and Germany signed a treaty to settle the incident of the alleged murder of the German missionaries in Shantung. In this treaty, China agreed to lease Kiaochow Bay and granted Germany the right to construct two railway lines in Shantung. France obtained a concession for a line between Lungchow and Chengnankwan, for which China spent 307,600 taels, 27,600 taels coming from a loan. The construction was suspended in 1900, and the concession relinquished by the French. The concession of the Canton-Hankow Railway was first given to an American firm, which invested US\$2,222,000 in 1898 and 1901. Later it was sold to the British. This transaction caused much loss to China and helped to fan the flames of foreign hatred.

From this period on foreign powers not only obtained railway concessions in China, but they received special rights as well. In 1897, China borrowed 5,000,000 pounds from Belgium for the construction of the Peking-Hankow Railway. China, in 1908, however, obtained a loan from England and France to redeem the railway. Again in 1903, Belgium granted a loan of 41,000,000 francs for the construction of the Pienlo Railway, and in 1912; a loan of 10,000,000 pounds for the construction of Lunglai Railway. Of this latter loan, however, only 4,000,000 pounds were actually received by China. The next year, Belgium also lent 10,000,000 pounds for building the Tungchen Railway.

Russia, in 1902, granted a loan to China in the amount of 40,000,000 francs for the construction of the Chengting-Taiyuan Railway, but the loan rights were soon transferred by the lender to France. In 1913, again, Russia granted

China a loan of 50,000,000 roubles for building the Harbin-Heilungkiang Railway.

Great Britain in 1898 had granted a loan of 2,300,000 pounds to China for the construction of the Peking-Fengtien Railway, and 700,000 pounds for the Taokow-Chinghwa Railway. Later, in 1903, she made a loan of 2,900,000 pounds for the Shanghai-Nanking Railway. In 1907 a loan of 1,500,000 pounds for the Canton-Kowloon Railway, and 1,500,000 pounds for the Shanghai-Hangchow-Ningpo Railway. In 1913, she lent 3,000,000 pounds for the Pukow-Hsingyang Railway, and the next year 10,000,000 pounds for construction of the Shasi-Singyi Railway, as well as 8,000,000 pounds for the Nanking-Changsha Railway.

France, in 1914, granted a loan of 600,000,000 francs for the construction of the Chinchow-Chengtu Railway, and Japan, in 1909, financed the construction of the Kirin-Changchun Railway,

with the amount of 2,150,000 yens, and another for 320,000 yens for the Hsinmintun-Mukden Railway. Of the loan of 3,000,000 pounds for the Tientsin-Pukow Railway, 37 per cent was granted by Great Britain and 63 per cent by Germany.

The terms of maturity of the above-mentioned loans were usually thirty years, with varying interest rates, usually from five to eight per cent, and rates of discount from 89 to 97. Some of the railways were not under construction until 1937. Among these were the Tungchen, Chinchow-Chengtu, Nanking-Changsha, and Pukow-Hsingyang, only parts of loans for their construction had been advanced. No money whatsoever had been produced on the loan of 10,000,000 pounds for the construction of Shasi-Singyi Railway. The following table shows the creditors and the amounts of China's railway loans prior to June 1914 (in thousands of Chinese dollars).

Underwriting Country	Original Principal	Percentage	Principal	Percentage	Outstanding Total	Percentage
Great Britain ...	405,513	40.95	193,997	41.29	177,019	45.04
France	234,747	23.71	77,886	16.50	77,323	19.67
Belgium	165,689	16.74	77,979	16.60	27,193	16.92
Germany	78,259	7.90	75,923	16.17	74,404	18.93
Japan	26,558	2.68	26,558	5.66	22,090	5.62
United States	79,024	7.98	17,000	3.62	15,000	3.82
Russia	390	.04	390	.08	—	—
Total	990,183	100.00	469,736	100.00	393,031	100.00

The ratio of loans of foreign powers to China represented the political influence at the time, of which Great Britain's was the earliest. Therefore, Britain's economic influence was the strongest among the powers. Among China's railway loan creditors, Great Britain's was 45.04 per cent, or nearly half of the total amount. France was secretly backed by Russia, and her political influence was also great, with a percentage of investment in China's railway loans of 19.67, which was next to that of Great Britain. Belgium's position also reflected the French economic influence in China. Germany came third as the important foreign power in China, and this was decided by her political, as well as economic, penetration into Shantung. Japan and Russia found it impossible at this time to show their influence to a great extent over the other powers because most of their railway investments in China were direct. The United States at that time held the weakest economic influence of all the powers in China.

During the four long years of World War I, foreign capital in Chinese railways was entirely monopolized by Japan. Between the years 1916 and 1918, her loans to the Szepeingkaichenchiatun Railway amounted to 5,000,000, plus 2,600,000 yens. In 1917, the Japanese lent to the Kirin-Changchun Railway a sum of 6,000,000 yens, but the net received for this loan was only 4,511,000 yens. Until 1918, Japan had lent to Kirin-Hueiming railway amounts to a total of 10,000,000 yens. The Kao-Hsu-Shun-Tsi Railway, and the Manchuria-Mongolia Railway each was granted a loan of 20,000,000 yens. In the same year, Japan also concluded

a loan of 3,000,000 yens to the Peking-Suiyuan Railway, the term being for three years with an interest rate of 9 per cent. Most of the above-mentioned loans went to the Peking government for military purposes, though, and rarely for railway construction.

After the end of World War I, Japan's loans to Chinese railways still were the largest of those of any of the foreign powers; of a total of 67,000,000 yens granted in 1920 and 1925, going to the Szepeingkaichenchiatun Railway, supposedly, only 32,000,000 yens were actually received by China. In 1922, Japan also

Underwriting Country	Original Principal	Percentage	Principal	Percentage	Outstanding Total	Percentage
Japan	233,685	17.08	228,696	29.06	262,324	36.88
Great Britain ...	425,624	29.83	211,566	26.88	138,347	19.45
Germany	78,397	5.49	76,061	9.67	97,962	13.77
France	257,481	18.05	100,284	12.74	90,321	12.70
Belgium	224,578	15.74	111,532	14.17	75,896	10.67
Netherlands ...	25,000	1.75	16,173	2.04	24,683	3.47
United States ...	121,434	8.51	41,710	5.30	21,139	2.97
Russia	50,390	3.53	1,065	.14	675	.09
Total	1,426,592	100.00	786,991	100.00	711,349	100.00

In comparing the above figures with those of 1914, it is seen that foreign loans for Chinese railways indicate that important changes in ratios have taken place, with a total of CN\$22,000,000. After the war, this rapidly changed and Japan became the most important foreign lender to China, with loans amounting to CN\$260,000,000, with a total of 36.88 per cent of all railway loans. This superceded Great Britain as the most important lender in pre-

war days. Second: Western lenders, including the United States, showed no obvious change in the amount of their investments, although they had slightly increased in the lending field in China. In some respects, however, the investments had decreased. For instance, Great Britain, whose prewar loans in China was 45.04 per cent of the total of all foreign loans, dropped to 19.45 per cent. Although United States capital power was strong, her lending for

In 1920, the United States proposed that Great Britain, France, Japan and the United States organize a new Four-Power Consortium contemplating a monopoly of investments, especially railways, in China. The proposal failed, however, for the following reasons: (1) There were conflicts among the powers interested, and although Japan was a member of the Consortium, she saw the advantage for her to invest freely with no regard for the other parties in the group; (2) The Peking government had no intention of co-operating with the Consortium's policy; (3) The Peking government frequently delayed payment of her debts, principal and interest, which made her international credit weak. Furthermore, there was no centralized government to guarantee the safety of foreign investment in China. Because of this, more than ten years after the end of World War I, foreign lendings, including railway, were stagnant. On the other hand, because of the advantage Japan gained during World War I, her power in the investment field in China increased. This caused a great change in previous investment figures among the nations. The following table is taken from Mr. Chen Hui's estimation based on figures by the end of June, 1932 (in thousands of Chinese dollars).

Chinese railways occupied only a very small percentage—less than three per cent—of the total foreign loans.

(7) Government Obligations in 1937

After the founding of the Chinese National Government in 1927, a review was made of her obligations. If there were securities on the loans by the Manchu and Peking governments, they were to be repaid by the National government. The delayed foreign loans were also adjusted. In 1931, a new loan was contracted between the Chinese Ministry of Finance and the American Federal Farm Board for flood relief in China. It was agreed that there should be a credit of 450,000 short tons of wheat and flour, given by the United States Grain Stabilization Board, but China received only grain in the amount of US\$9,212,826. In 1931, China contracted a cotton-wheat loan of US\$50,000,000 with the United States Reconstruction Finance Corporation. The designation for the applications of this loan were for US\$40,000,000 for the purchase of cotton, US\$6,000,000 for wheat, and US\$4,000,000 for the purchase of flour, with interest at five per cent. Excise tax was assigned as its security, with cigarettes, flour, cotton thread, matches, tobacco and liquor stamp duty helping to meet the bill. There was also a five per cent customs for additional flood relief revenue as second security. This loan was adjusted in 1934. Because of the textile industries' stagnation in China, the use of cotton was decreased. Therefore, the amount assigned for the purchase of cotton was reduced from US\$40,000,000 to US\$10,000,000, and that for flour was also too large. In fact, the flour quota received only US\$1,105,385. In 1936, the Export-Import Bank of Washington took over supervision of the above two loans and announced a combination of the loans into one.

In 1934, the Ministry of Finance issued a British Boxer Indemnity Loan of 1,500,000 pounds, and Hual River Loan of 238,000 pounds. The latter also used the British Boxer Indemnity Fund as foundation. The interest for each loan was six per cent. In April, 1937, a loan of US\$6,000,000 was granted for the Kwangtung engineering project for the development of the Chu River in Kwangtung Province, with interest at six per cent. Security for this loan was the additional revenue of Kwangtung customs.

Loans with security contracted by the Manchu and Peking governments were accepted by the National Government which promised to continue payments on such loans, although some had no security; but the National government agreed to pay and classified them all as security loans. The following loans had security: The Anglo-German Loan of 16,000,000 pounds, given in 1898; the Reorganization Loan of 25,000,000 pounds of 1913; the Anglo-French Loan of 5,000,000 pounds of 1908; and the Crisp Loan of 5,000,000 pounds of 1912. The following loans had no security, but payment was promised, nevertheless: They were,

the Japanese portion of the 96,000,000 Dollars Loan, 14,000,000 yens; Tsingtao Salt Interest Note 39,000,000 yens; Chicago-Bank Loan, US\$5,500,000; Pacific Development Corporation Loan, US\$5,500,000; and Vickers Loan, 1,803,000 pounds. Payments of principal and interest of the above loans were made annually. Up to December, 1937, loans under the care of the Ministry of Finance were as follows:

Kinds of Security	Amount pounds
Customs revenues	31,725,458
Salt Tax	6,713,543
Other National Income ...	16,290,749
Total	£54,719,750 or (US\$269,483,824)

From 1927 to 1937, there existed in the National Government a Ministry of Railways, and all railway loans were under the care of the Ministry of Communications until that time, when they were transferred. A large portion of railway loans, which were taken over by the Ministry of Railways, had been concluded by the Manchu Government. The National Government, however, promised to continue to clear their payment. The following were comparatively large on the list: Peiping-Hankow Railway, Tientsin-Pukow Railway, Peiping-Liaoning Railway, Shanghai-Nanking Railway, and Lunghai Railway. In December, 1935, the Ministry of Railways still held loans, as follows:

Countries Lending	Amount pounds
Great Britain	13,221,446
Belgium	10,943,888
Germany	10,920,536
Netherlands	7,982,287
Japan *	5,901,177
France	2,540,123
United States	2,317,986
Total	£53,827,443 or (US\$265,089,391)

China's credit position was greatly improved between 1936 and 1937, and the Ministry of Railways was able to conclude eight loans for the construction of new railways. Among those from Great Britain, were: Shanghai-Hangchow-Ningpo Railway completion loan for 1,100,000 pounds; Nanking-Kiangsi Railway Loan of 900,000 pounds; Canton-Meishien Railway Loan of 3,000,000 pounds, and Pukow-Hsingyang Railway Loan of 4,000,000 pounds. Those from Germany were: Nanchang-Pingsiang Railway Loan of \$8,000,000, and Hunan-Kweichow Railway Loan for \$30,000,000. Both of these were in Chinese National Dollars. One came from France at this time, the Chengtu-Chungking Railway Loan of 34,500,000 Chinese National Dollars, and one from Belgium; the Paoki-Chengtu Railway

* Since the Japanese invasion of Manchuria in September 18, 1931, in the Ministry of Railways' estimation of foreign railway loans, the Kirin-Changchun Railway, Kirin-Tunfa Railway, Taonan-Anghsi Railway, and Szeeping-Taonan Railway's Japanese loans were not taken into consideration. Thus in the figures for 1935, these Japanese loans dropped to a considerable amount.

Loan for 450,000,000 francs. The total of the above loans equalled 16,397,190 pounds, or US\$607,528,813. In addition, there were 8,000,000 pounds for the Kweiki-Meinsien Railway and Samshui-Wuchow Railway Loans from Great Britain, and the Kweiyang-Kunming Railway Loan of 4,000,000 pounds, from France. Negotiations for these loans were completed, but because of the outbreak of the Sino-Japanese War in July, 1937, the agreements were not signed.

For the purpose of rehabilitating some of the old railroads, the Ministry of Railways obtained the following loans from Great Britain: Shanghai-Nanking Railway, Canton-Hankow Railway, and Taokow-Tzuwang Railway, of 2,300,000 pounds, and 800,000 Chinese national dollars, respectively. From Czechoslovakia: Chekiang-Kiangsi Railway, 2,331,443 Chinese customs gold units. In addition to these, Great Britain also granted a loan to the Chuchow Locomotive Works for the sum of 150,000 pounds. Germany, too, granted a loan for Wagon Materials of 384,763 pounds. The total of these loans amounted to 2,902,289 pounds, or US\$14,291,201.

Those loans under the care of the Ministry of Communications were chiefly: telegraph, telephone, and wireless materials loans. The National government also raised loans for dial telephones, cables, wireless materials, and the establishment of an international wireless station, as well as the China Merchant's Steam Navigation Co. loan, after 1927. There are "advances" besides the loans. That is to say, the enterprises which the Ministry and foreign concerns handled together, or the work given to foreign concerns, where the Ministry could not raise the money for payment immediately. Therefore, the joint enterprises were undertaken to obtain the money. But payment was delayed. Again, there are "debts," such as the Ministry's purchase of equipment and material from foreign concerns, the payment for which was delayed. Although in manner of obtaining these are different from the regulations loans, as far as the payment and adjustment are concerned, they are very much the same. Up to February 1935, the Ministry of Communications carried loans as follows:

Category	amount Chinese national dollars
Loans	71,865,956
Advances	8,517,250
Debts	7,281,528
Total	CN\$87,664,734 or (£5,290,679) or (US\$26,055,535).

WARTIME FOREIGN LOANS

After the outbreak of the Sino-Japanese War in July, 1937, most of China's foreign loans came from the United States, Great Britain, and Soviet Russia. These loans flowed from these countries into free China in continuous streams, and exclusive of the Lend-

Lease Aid to China from the United States, they amounted to 1,244,000,000 in American dollars. There were also loans from France, Belgium, and some even from Germany. The amount from these latter countries is comparatively small by comparison with the total amounts lent. The total of these loans from foreign countries are shown in the following table.

Countries Lending	Amount
United States	670,000,000
Great Britain	274,000,000
Soviet Russia	300,000,000
France	15,080,568
Belgium	80,000,000
Germany	6,000,000
Total	US\$1,345,080,568

Loans to China from these foreign nations during the war not only involved commerce, but there were also more important political implications. This political set-up was not, however, entirely different from pre-war days. The intent of foreign governments offering loans to China was to assist China to build up her industry in free territory, and to develop communication facilities. There is also a desire on their part to stabilize Chinese currency and foreign exchange. In doing this, they directly increased the power of China to resist the Japanese aggression. Thus, indirectly, they defeated Japan's aim of aggression towards other countries.

Following such a policy, it was only natural for foreign governments to grant loans to China, especially with the changing events of the war. For example, prior to the Japanese sneak attack on Pearl Harbor, the amount of loans granted by the United States and Great Britain to China were comparatively small. But after Pearl Harbor, loans from these countries increased and at better terms. Of these loans, however, more than half were outstanding and could not be effectively translated into war materials. One reason for this was the difficulty and interruption of transportation and lack of shipping facilities.

(1) United States

The United States has granted four loans to China since 1938. These have totaled 170,000,000 American dollars, exclusive of the Wartime Financial Assistance Loan of US\$500,000,000. In December 1938, the first loan was granted by the Export-Import Bank for the sum of US\$25,000,000, and had the intention of keeping up Chinese morale after the fall of Canton and Hankow. The loan was applied to the purchase of American products of a non-military nature, such as gasoline, automobiles, industrial machinery, and agricultural products. Universal Trading Corporation, a Chinese government enterprise organized under the New York State corporation laws, was established to execute the loan. According to the terms of this loan, China is to repay in wood oil, and must paid by January 1, 1944. With the stream of wood oil coming into the

United States, however, complete payment was made on March 30, 1942, almost two years earlier than the date set. These payments have also exceeded the amount set. It was paid by installment, but was not used for the purchase of airplane or other military equipment.

In March, 1940, the United States government protested the Japanese bombing of the Yunnan-Burma Railway, and as an incentive to the Chinese and a further threat to the Japanese, another loan of US\$20,000,000 was granted to China. This was financed through the Import-Export Bank also, and the payment was in Yunnan tin sent to the United States.

In September 1940, in the dark days of the Japanese occupation of Hainan and the suspension of the Yunnan-Indochina Railway, China again negotiated a loan of US\$25,000,000 for foreign exchange needs, also through the same bank. The United States Federal Loan Agency announced the facts of the loan and the Central Bank of China was the liability. The loan carried an agreement whereby it was to be paid with Chinese tungsten to the United States, and the contract was made between the National Resources Commission of the Chinese Government and the American Metals Reserve Company, which purchased US\$30,000,000 worth of tungsten with which to liquidate the loan.

The spread of the war in Europe greatly weakened American isolationist sentiment, and after the November 1940 election it was much easier for China to obtain additional financial assistance from the United States. A loan of US\$100,000,000 was announced in December of that year. The loan was divided into two parts, one half being granted by the Export-Import Bank, and the other by the United States Stabilization Fund "for the purpose of monetary protection and management between American and Chinese currencies." That granted by the Import-Export Bank was arranged to be paid by the National Resources Commission of the Chinese government by the selling of wolframite, antimony, and tin, to the American Metals Reserve Company.

In February, 1942, a half billion dollar loan was again extended to China for the purpose of giving financial aid in the prosecution of the stabilization of China's economy: (1) to strengthen the Chinese currency, monetary, banking and economic system, (2) to finance and promote increased production, acquisition, and distribution of necessary goods, (3) to retard inflation, promote stability of economic relationships, (4) to prevent hoarding of food and other necessities, (5) to effect further social and economic measures which would promote the welfare of the Chinese people, and (6) to meet military needs, other than those supplied by the Lend-Lease Act, and to take other appropriate measures in furthering China's war effort. Regarding this loan by the United States, President F. D. Roosevelt felt that it would give "such additional

assistance that would serve to strengthen the Chinese position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort." He, therefore, urged immediate extension of the loan. It was voted by Congress with "unusual speed and unanimity" on February 6, 1942. Although China was unable to carry out the purpose of the loan to its ultimate possibilities because of difficulty of communication during the war, she was not called upon to establish an obligation of an ordinary character, as was the case in some previous loans.

(2) Great Britain

Great Britain began her wartime loans to China in 1938. Her interest is, naturally, greater in the Far East than that of other countries, and she hoped to maintain her influence, but not to come into direct conflict with Japan. She took no direct economic action against Japan, but, at the same time, she had no desire to see Chinese resistance collapse so that Japan would monopolize the Far East. Thus Great Britain made loans to China in order to stabilize her currency, which would permit the Chinese to buy goods from England.

China obtained its first loan from Great Britain during this period in the amount of 500,000 English pounds, through the Export Credits Guarantee Department of the British Government for the development of trade and communications between China and Burma, with interest at 4.5 per cent. In the following year, another agreement was signed between the countries by which the loan was increased to £3,500,000. This loan was for the purchase of machinery for the manufacture of ammunition, airplanes, etc. Approval of this loan was delayed in Parliament because it was felt by some that it might create an antagonism among the Japanese, but the British Ambassador to Japan made a report, stating that such a negotiation would not change the feeling of the Japanese toward England, and the loan was completed.

In March, 1939, an Anglo-Chinese Stabilization Fund started negotiations concerning a loan of 10,000,000 pounds, one half of which was to be provided by the Bank of China and the Bank of Communication of China, and the remainder by the two senior British banks in China, namely, the Hongkong and Shanghai Banking Corporation, and the Chartered Bank of India, Australia and China. The first named banks were to provide £2,000,000 and the latter £3,000,000. The British Government Treasury accepted the liability and the loan agreement was for one year, with the stipulation that it could be renewed at expiration. Interest was to be paid to the two British banks semi-annually at the rate of two and three fourths per cent interest. Thereafter, a Commission was set up by the two governments, with primary duties that of regulating the unnecessary sliding rate of the Chinese yuan and the English pound.

In December, 1940, two loans by the United States and Great Britain were floated simultaneously. The United States loan was for US\$100,000,000 and the British for £10,000,000. Half of the loan was to purchase general supplies for China, and the remainder to be spent for the stabilization of Chinese currency. The fund was to be managed by a Chinese, American and British organized Currency Stabilization Board, authorized to fix the rate of the yuan in terms of the dollar and the pound. Foreign exchange was to be sold at the fixed rates and only to those engaged in legitimate foreign trade, and the board was to buy foreign exchange at those rates from all those engaged in the export business. During the latter part of 1943 the Board was liquidated when it was consolidated with the Exchange Control Commission of the Ministry of Finance of the Chinese Government.

Again the United States and Great Britain announced almost simultaneously the granting of loans to China in the sum of £50,000,000, or US\$200,000. Negotiations were completed on May 2, 1944, but because of existing circumstances at that time, the sum was not used.

(3) Soviet Russia and Other Countries

China obtained a series of four loans from Soviet Russia, which were based on barter agreements. The lending began in October, 1938, to the fall of Canton and Hankow to the Japanese. These agreements made it possible for China to purchase general supplies on credit from Russia, and to liquidate these credits by the exchange of agricultural products, especially tea and wool. The first loan, amounting to US\$50,000,000, was followed by credits of US\$50,000,000 in February 1939, US\$150,000,000 in August of the same year, and US\$50,000,000 in December, 1940. The total amount of these loans were equivalent to US\$300,000,000. During the war, China's arsenals in the interior provinces were able to supply some of her requirements of small arms and ammunition, but heavy artillery could not be produced in her factories because of war conditions. These loans from Russia, therefore, were used to purchase mechanical supplies and war materials, particularly, tanks, guns, and planes. Prior to this emergency, Russia by means of loans had been able to deliver certain war materials to China, but after June 1941, the encroachment of the Germans on Russian territory had curtailed this delivery to China to a considerable extent. Also, Russia found herself in a desperate condition on her own front.

Other foreign loans to China, such as the French Loan, were mainly for construction work. For example, in August, 1938, France financed funds for the construction of the Annan-Chennankwan Railway, and by means of this loan the French Syndicate agreed to extend to this railway a material loan of 120,000,000 francs, as well as a cash loan of 30,000,000 francs, bearing interest at 7 per cent per annum. This was to be paid by the Salt administration out of surplus revenue.

Payments on the principal were to begin in the fourth year after the initiation of the loan and to be completed by the twelfth. An additional loan for 30,000,000 francs was granted in May, 1939, which was to be used for the purchase of rolling stock. In December of that year, another loan, extending further credit of 480,000,000 francs was granted to finance the construction of the Suifu-Kunming Railway connecting Szechwan with Yunnan province. This loan was to be used by the French Syndicate to undertake to supply the Chinese government with materials for this work.

China received a loan from Belgium, also in 1939. In the month of March a purchase credit loan of 20,000,000 pounds was granted for material supplies. About this time, Germany, too, prior to the outbreak of the Pacific war, extended a trade loan to China amounting to US\$6,000,000.

(4) Lend-Lease

Two months after the passage of the Lend-Lease Act by Congress, in March 1941, Mr. Roosevelt announced that "the defense of China is vital to the defense of the United States." One of the important Lend-Lease aids to China at that time was the improvement of the Burma Road, which was the only land route to the outside world. China early began to receive through Lend-Lease trucks, auxiliary parts, and fuel necessary for building the road. In June of that year, a group of transportation experts for investigation and planning arrived in China, and they made suggestions to the Chinese government to improve the management of the road. The last month of the year the transportation of materials over the road had increased over four times than before. Each month thereafter the tonnage of goods transported accelerated from amounts of 4,000 to 15,000 tons.

In that same year also, US\$15,000,000 were granted through the Lend-Lease Act for the construction of the Yunnan-Burma Railway, but the plans failed because of the early attack by the Japanese on Burma. After the fall of Burma, the only means for China to obtain outside assistance was by air. In March of 1945, it was reported that the United States Army Air Force carried in one day a total of 5,327 tons of freight into China.

The Ledo or Stilwell Road was planned and constructed by American engineers, and completed and ready for traffic in February, 1945. This road connects the northern part of Burma with Yunnan province. It was built by a grant of Lend-Lease. Another project was the China-India pipeline, one of the most difficult engineering feats which is also built under Lend-Lease.

China was materially helped in its war effort in its military department through Lend-Lease in the fall of 1941. The United States Division of Defense Aid Report, and the War Department concluded an agreement with the China Defense Supply whereby the Chinese were to receive equipment for the army and plans for training of the armed

personnel. A military commission was also sent to China with specialists in modern warfare who became instructors to the Chinese armed forces in the use of American weapons and methods of transporting them.

In an effort to help China increase her war production, Mr. Donald Nelson, and many other technical experts, during the winter of 1944 and spring of 1945 were sent to China. Materials and mechanical equipment were also taken there through Lend-Lease. And under an agreement with the American Government, China sent hundreds of technicians to the United States for training, six hundred of whom had completed this training and returned to China for service by August, 1945.

Lend-Lease Aid to China in April 1944, was only three-tenths of one per cent of the total amount to be extended, but by April, 1945, it had been considerably increased, and in September of that year China had received at the value of US\$631,509,000, including military supplies consigned to the United States Commanding General for subsequent transfer, as shown below:

Category	Amount
Ordnance and ammunition	164,805,000
Aircraft and parts	112,970,000
Tanks and parts	11,070,000
Motor Vehicles and parts	89,493,000
Machinery and metals	34,644,000
Petroleum products	7,087,000
Other supplies	193,948,000
Shipping & other expenses	17,492,000

Total US\$631,509,000

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TABULATION OF LOANS

(1) LOANS UNDER THE CARE OF THE MINISTRY OF FINANCE
(December 31, 1937)

Loans	Date of Issue	Kinds of Money	Amount Issued	Out-standing Balance
(A) Secured on Maritime Customs Revenue:				
Anglo-German Loan	1898	£	16,000,000	4,308,025
Reorganization Loan	1913	£	25,000,000	20,178,860
Banque Industrielle Loan ..	1925	US\$	43,853,900	27,569,350
Belgian Indemnity Loan ..	1928	US\$	5,000,000	1,230,300
6% Indemnity Loan ..	1934	£	1,500,000	1,164,000
(B) Secured on Salt Revenue:				
Huai River	1934	£	238,000	228,590
(C) Secured on Miscellaneous Items:				
Pukow Loan	1914	Francs	100,000,000	100,000,000
Chicago Bank Loan (additional) ..	1919	US\$	5,500,000	5,500,000
Pacific Development Corp. Loan ..	1919	US\$	1,105,500	1,105,500
Vickers Loan	1919	£	5,500,000	4,900,000
Skoda Loan	1913 & 16	£	1,803,200	1,803,200
Cotton-Wheat Loan ..	1931 & 33	US\$	6,866,046	6,866,046
Chu River Loan	1937	US\$	26,318,211	13,700,000
		US\$	2,000,000	1,960,000
		£	61,407,246	38,598,843
		US\$	83,817,611	55,965,650
		Francs	100,000,000	100,000,000
		£	54,719,750	
		or (US\$ 269,483,824)		
		Yen	53,608,700	45,478,400
TOTAL				
GRAND TOTAL				

Note: £ 1=US\$4.9248 £=F. Francs 47.496 £ 1=B. Francs 147.456
 £ 1=Y 17.088 £=Fl. 7.1616 £ 1=CN\$ 16.56958

(2) LOANS UNDER THE CARE OF THE MINISTRY OF RAILWAYS (A)
(December 31, 1935)

Underwriting Countries	Loans	Dates of Issue	Original Principal	Outstanding Total in £ Sterling
Great Britain				
Peiping-Hankow Ry.	1908	£	2,500,000	375,000
Tientsin-Pukow Ry.				
Original	1908	£	1,850,000	1,735,531
Supplementary	1910	£	1,776,000	1,354,200
Peiping-Liaoning Ry.	1898	£	2,300,000	488,750
Shanghai-Nanking Ry.	1913	£	2,900,000	2,992,800
Taokow-Chingwa Ry.	1903	£	800,000	718,765
Equipment	1911	£	126,838	86,994
Chingmeng Branch	1920	£	87,300	224,651
Hukuang Ry.	1911	£	1,500,000	1,823,458
Canton-Kowloon Ry.	1907	£	1,500,000	1,695,037
Nanking-Hunan Ry.	1914	CN\$	3,745,455	496,725
Pukow-Hsinyang Ry.	1913	£	307,256	416,463
Shanghai-Pengcheng Ry.	1914	£	375,000	462,000
Shanghai-Hanchow- ...	1934	CN\$	2,345,524	141,435
Ningpo Ry.		£	209,637	209,637
Belgium				
Lunghai Ry., Sterling Loan	1912	£	4,000,000	6,000,000
Advance		B. fr.	72,837,238	493,959
Advance		£	18,117	18,117
Belgian Fr. Loan	1920	B. fr.	137,743,000	1,681,433
Chinese Dollar Loan	1924	CN\$	5,000,000	94,995
Belgian Fr. Loan	1924	B. fr.	75,000,000	113,663
French Fr. Loan	1925	F. fr.	21,250,000	524,860
Pienlo Ry.	1903	B. fr.	41,000,000	203,196
Paotow-Ninghsia Ry.	1922	£	800,000	1,472,000
Tatung-Chengtu Ry.	1913	£	385,108	310,924
Germany				
Tientsin-Pokow Ry.		F. Fr.	2,899,259	30,741
Original	1908	£	3,150,000	4,074,236
Supplementary	1910	£	3,024,000	2,742,882
Advance	1916	£	900,424	2,097,987
Hukuang Ry.	1911	£	1,500,000	2,005,431
Netherlands				
Lunghai Ry., Guilder Loan ..	1920	Fl.	30,750,000	7,228,719
Advance		Fl.	1,815,959	253,568
Japan				
Peiping-Hankow Ry.	1911	Y	10,000,000	726,123
Kiaochow-Tsinan Ry.	1922	Y	40,000,000	2,340,823
Peiping-Suiyuan Ry.	1921	Y	6,000,000	607,763
Nanchang-Kiukiang Ry.	1922	Y	10,000,000	1,056,057
Kaomei-Hsuechow Ry.	1918	Y	20,000,000	1,170,411
France				
Peiping-Hankow Ry.	1908	£	2,500,000	375,000
Hukuang Ry.	1911	£	1,500,000	1,823,458
Tatung-Chengtu Ry.	1913	£	385,108	310,924
U.S.A.				
Hukuang Ry.	1911	F. Fr.	2,899,259	30,741
Chuchow-Yamchow Ry.	1916	US\$	1,500,000	1,823,510
		US\$	1,150,000	494,476
TOTAL				
		£	53,827,443	
		or (US\$ 265,089,391)		

(3) LOANS UNDER THE CARE OF THE MINISTRY OF RAILWAY (B)
(1936-1937)

Underwriting Countries	Loans	Date of Agreement	Amount of Loan
(A) Constructing the New Railroad:			
Great Britain			
Shanghai - Hangchow - Ningpo Ry.		1936	£ 1,100,000
Completion		1936	£ 900,000
Nanking-Kiangsi Ry.		1937	£ 3,000,000
Canton-Meih sien Ry.		1937	£ 4,000,000
Pukow-Hsingyang Ry.			
Germany			
Nanchang-Pingsiang Ry.		1936	CUS 8,000,000
Hunan-Kweichow Ry.		1936	CN\$ 30,000,000
France			
Chengtu-Chungking Ry.		1936	CN\$ 34,500,000
Belgium			
Paokli-Chengtu Ry.		1936	B. fr. 450,000,000
TOTAL			£ 16,397,190
			or (US\$807,528,813)
(B) Rehabilitating the Old Railroad:			
Great Britain			
Shanghai-Hankow Ry.		1937	£ 800,000
Canton-Hankow Ry.		1937	US\$ 1,466,400
			CN\$ 1,500,000
			£ 260,000
Taokow-Tzuwang Ry.		1936	CN\$ 600,000
Chuchow Locomotive Works		1937	£ 150,000
France			
Sian-Paokli Ry.		1936	CN\$ 10,000,000
Czechoslovakia			
Chekliang-Kiangsi Ry.		1937	CN\$ 4,620,000
Germany			
Wagon Material		1937	£ 384,762
TOTAL			£ 2,902,289
			or (US\$14,291,201)

(4) LOANS UNDER THE CARE OF THE MINISTRY OF COMMUNICATIONS
(February 30, 1935)

Loans	Date of Agreement	Amount Issued	CN\$ as the Outstanding Total
(A) Loans:			
Wuchang-Hankow Power			
Loan	1916	£ 93,010	685,446
Telegraph Loan	1918	Y 20,000,000	20,000,000
Telephone Extension Loan ..	1918	Y 10,000,000	10,000,000
Mitsui Wireless Loan	1918	£ 536,267	8,885,718
Marconi Treasury Notes ..	1918	£ 600,000	9,941,746
Hongkong and Shanghai Banking Corp. Loan			
National City Bank of N.Y. Loan ..	1923	CN\$ 6,993,006	11,741,581
Second Tientsin Telephone Loan ..	1924	CN\$ 1,398,601	1,440,228
Nanking Dial Telephone Loan ..	1926	CN\$ 1,729,084	1,729,084
Shanghai Dial Telephone Loan ..	1926	US\$ 730,198	1,333,123
Wuchang - Hankow Dial Telephone Loan ..	1929	US\$ 570,000	1,453,500
International Telegraph Installment Loan ..	1932	£ 50,000 (unknown)	
Cable & Telephone Equip. Loan ..	1933	£ 20,000	260,000
Radio & Telephone Equip. Loan ..	1933	£ 48,000	624,000
China Realty Co. Loan ..	1933	CN\$ 970,000	970,000
China Realty Co. Loan ..	1934	CN\$ 1,385,348	1,246,813
British Boxer Fund's Loan ..	1934	£ 400,000	1,541,217
(B) Advance:			
Marconi Wireless Telegraph			
Advance	1918	£ 170,376	2,214,892
Advance	1919	£ 100,000	1,656,958
Advance for Improving and Developing Telegraph Line ..	1920	Y 6,000,000	6,000,000
Eurasia Airline Equipment ..	1931 & Advance	Marks 781,000	860,200
(C) Debt:			
Accumulation Debt of Telegraph Materials			
Telephone Materials Debt ..	1919	US\$ 1,969,977	
Peiping Telephone Equip. Debt ..	1923	Tails 6,201	3,666,913
		Y 4,661,188	3,401,115
		US\$ 189,840	213,500
TOTAL			CN\$ 87,664,734
			or (£ 5,290,679)
			or (US\$ 26,055,535)

Macao Report

History

Portugal led the way for the Western maritime powers to open direct relations with China. In 1498 Vasco da Gama doubled the Cape of Good Hope and found the way to India. In 1511 Afonso d'Albuquerque captured Malacca; in 1513 Jorge Alvares voyaged to China; and in 1517 Fernao Perez de Andrade came to the Canton River. In 1521 the Portuguese were expelled and subsequently went to Liang-Po, from which depot in 1542 trade with Japan was inaugurated. In 1548 this trading station was given up and following the temporary occupation of other islands on the China sea-board, the Portuguese set up the Colony of Macao, which is considered to have been founded about 1557.

History shows that the Portuguese received Macao as a reward for helping the Chinese authorities to clear the district of pirates, though the formal cession of the colony was only confirmed by China in 1887.

Macao became the principal entrepot of the trade with China and Japan, as well as the headquarters of the Catholic missions. Several colleges and convents were built and the Catholic faith was soon carried all over China and the Far East.

Fleets of ships were built and fortunes made, and as the population grew in wealth and numbers, churches and forts were built, among the first of which was the famous Church of St. Paul, the ruins of which may still be seen against the skyline in Macao.

From 1581 to 1640, while Portugal was under Spanish rule, in this colony alone among Portuguese possessions the national flag was not hauled down. The Dutch coveted the prosperous city, and attacked Macao in 1603, 1604, 1607, 1622, and 1627. One of the most famous events in the history of the

city is the Defeat of the Dutch on St. John's Day (24th June) in 1622.

Industries

The principal industry of Macao is that of the Fisheries, in which it is estimated that about twenty thousand persons find employment, in the fishing and in the various processes of curing, salting, and preserving the catch, which sometimes attains a value of close on Macao \$5,000,000 in one year. The manufacture of Firecrackers is another important industry, in which thousands of the poor find part-time employment in their homes preparing the empty spills which are then taken to the factories to be filled before being exported to all parts of the world, valued at about M.\$2,000,000 in some years. Incense sticks also provide employment for many persons and is a thriving industry valued at over \$1,500,000 per annum. The Match Factories give work to many hundreds of hands, with a turn over running into well over a couple of million dollars a year.

The introduction of electricity about 1912 marked the change of the old Macao to the modern age, and the solution of the water problem, as lately as 1936, gave new impetus to this colony.

Manufacture by western methods is fast gaining ground in Macao and there are machine shops, hosiery and shirt factories, weaving factories, cigarette factories, ice factories, and many others.

Other industries include mat weaving; the preparation and manufacture of tobacco; and the firing, sorting and packing of tea. Rice flour is made and food products are manufactured. Cotton fibre is opened up and prepared for making the padded jackets and blankets of the Chinese, by means of an ingenious instrument like a one-stringed fiddle played with a hammer.

Chinese wine made at Macao is of excellent quality, while the expressing of vegetable oils (peanut, tung, rapeseed, &c.) is an industry that has gone on for many years.

There is a bottle factory, where Chinese medicine phials are rapidly made by hand by a group of men sitting round a roaring furnace. Shrimp and oyster sauce are made. Articles of Copper are made by hand, and this is a growing industry, for there are copper-smiths who turn out good ornamental trays, flower pots, and so on. Gold-smiths make trinkets for the women folk, and there are hosts of other industries that show how resourceful are the Chinese.

The tendency has been for modern industries to replace the older, and primitive industries which flourished for many years, have disappeared.

Shipbuilding on a small scale, principally in the construction of fishing craft, is a growing industry, and several types of craft have been built and engined in Macao. The machine shops which are connected with modern factories are growing in number and importance.

Commerce

Throughout the seventeenth and eighteenth centuries Macao was the chief port for western trade with China but foreign "factories" began to flourish in Canton at the beginning of the nineteenth century which broke down the Portuguese monopoly of trade, but there is still an appreciable trade done at Macao.

Whereas Macao was at one time an ideal port for the comparatively shallow-draught vessels of the olden days, the coming of the modern vessel proved to be a severe blow to Macao's trade, part of which moved elsewhere, principally to Hongkong.

Macao serves as the distributing station for the district of Chung Shan (Heung Shan) and for such parts of China as are being brought into touch with the district through the new highways that the Chinese are building and the boat services which run between Macao and several places in South China.

The estimated average export value of some of Macao's industries is as follows:—

	Macao \$
Fish and Fishery Products	5,000,000
Matches	3,000,000
Firecrackers	2,000,000
Incense Sticks	1,500,000
Hosiery, towels, singlets, etc.	1,500,000
Preserves	1,000,000
Vegetable Oils	1,000,000
Chinese Wines	1,000,000
Cigarettes	1,000,000

In addition to the export of goods manufactured at Macao there is a healthy transshipment trade, principally in rice, sugar, lumber, flour, woollen and cotton goods, machinery, building materials, silk, tobacco, &c.

Macao is a free-port, but excise tax must be paid on a limited number of goods, such as tobacco, wines, beer, alcohol, gasoline, kerosene, coffee, matches, bricks, and cement, while arms, narcotics, etc., are contraband.

(5) WARTIME FOREIGN LOANS
(1938—1944)

Lender	Loans	Date of Agreement	Amount of Loan
U.S.A.			
	Tung Oil Loan	1938	US\$ 25,000,000
	Tin Loan	1940	US\$ 20,000,000
	Tungsten Loan	1940	US\$ 25,000,000
	Currency Stabilization Loan	1940	US\$ 50,000,000
	Wolframite, Antimony, Tin Loan	1940	US\$ 50,000,000
	Credit Loan	1942	US\$ 500,000,000
Great Britain			
	Export Credit Loan	1938	£ 3,500,000
	Stabilization Fund	1939	£ 5,000,000
	Credit Loan	1940	£ 5,000,000
	Currency Stabilization Loan	1940	£ 5,000,000
	Credit Loan	1944	£ 50,000,000
Soviet Russia			
	First Credit Loan	1938	US\$ 50,000,000
	2nd Credit Loan	1939	US\$ 50,000,000
	3rd Credit Loan	1939	US\$ 150,000,000
	4th Credit Loan	1940	US\$ 50,000,000
France			
	Annan-Chennankwan Ry Loan	1938	F. Frs. 150,000,000
	Suifu-Kunming Ry. Loan	1939	F. Frs. 480,000,000
	Rolling Stock Loan	1939	F. Frs. 30,000,000
Belgium			
	Purchase Credit Loan	1939	£ 20,000,000
Germany			
	Trade Loan	1939	CN\$ 120,000,000
TOTAL			US\$ 1,345,080,658

Note: US\$1=CN\$20.00; £ 1=CN\$80.00; £ 1=F. Fr. 175.00.

THE JAPANESE OIL INDUSTRY

The Characteristics of the Japanese oil industry and its postwar recovery

On account of the fact that Japan as one of the leading consumers of oil for industrial purposes must import from abroad 90% of her oil requirements owing to her poor domestic oil resources on the one hand and a comparatively large demand for oil on the other hand, the principal operation of the Japanese oil industry lies in refining crude oil imported from abroad. In 1937 the domestic output of oil amounted to only 380,000 kilolitres against a total consumption of 5,000,000 kilolitres, and the self-sufficiency rate in the prewar period was always less than 10%. About one-half of the short-supply was covered by import of refined oil and the other half by import of crude oil, which was refined in Japan, principally at the refineries located on the Pacific coast of Japan. Import of crude oil for refining at home is preferred over import of refined oil because the former has certain advantages. In the first place, it is cheaper to the importing country from the standpoint of its balance of international payments, and in the second place, it promotes the development of the domestic oil refining industry. It is a well known fact that not only Japan, but industrial countries of Europe with a low rate of self-sufficiency in oil have all adopted this policy of importing crude oil instead of refined oil and have thereby come to possess a relatively large oil refining capacity as compared with their small domestic output of crude oil, if any.

In Japan, oil drilling developed from about 1890 chiefly around Niigata and Akita prefectures on the western coast of northern Japan. At the same time

oil refining also developed in the neighbourhood of these oil producing areas. Until about 1925 these domestic oil producing areas on the Japan Sea coast constituted the center of the Japanese oil industry, but with the several-fold increase in the import of foreign crude oil over the domestic output of crude oil in order to meet the increased demand for oil in this country, oil refineries for refining foreign crude oil were constructed one after another on the Pacific coast of Japan. It was in this way that the oil refineries on the Pacific coast gradually expanded and came to surpass those of the Japan Sea coast in capacity, thus replacing the latter as the center of the Japanese oil industry.

From about 1934 state control of the oil industry was intensified and a protective policy was adopted as one of the measures for preparedness. At the same time strenuous efforts were made to import crude oil as much as possible for domestic refining, for which purpose not only was the capacity of the private oil refineries expanded, but large oil refineries were constructed by the War and Navy Ministries. As a result, the oil refining capacity of Japan witnessed a sharp expansion from about 1934. A comparison of the expansion in private oil refining capacity with the supply of domestic and foreign crude oil during the years after 1933 is shown in Table I. It is clear from this table that the quantity of imported crude oil rapidly increased year after year in sharp contrast to the irregular and stagnant production of domestic crude oil, and that this increase in the quantity of imported crude oil was in turn reflected in the expansion of the oil refining capacity of Japan.

crude oil amounting to only about 10% of the demand was permitted, the operation of the oil refineries on the Pacific coast and the import of foreign crude oil remained prohibited and 90% of Japan's oil requirements continued to be met by imported oil products financed by GARIOA funds of the United States. Such a situation continued until SCAP announced on July 13, 1949 that permission had been granted for the resumption of operation of the Pacific coast refineries and for the importation of crude oil. In September of the same year a specific program for the reopening of the refineries was announced, which was followed in October by an announcement of the amount of the first shipment of imported crude oil.

In the meantime, capital investments in Japanese oil companies by American and British oil companies or business affiliations between them were effected.

It is said that this permission to rehabilitate the Pacific coast oil refineries, which were originally doomed to be scrapped, and to import crude oil from abroad was granted largely on account of the following considerations:

(1) Japan can save foreign exchange by importing crude oil instead of refined oil, (2) the rehabilitation of the oil refineries is consistent with the Occupation policy of economic self-support for Japan and (3) the world's production of crude oil has increased since 1948.

Present condition of the oil industry

Oil Drilling. — In consequence of reckless drilling and negligence in prospecting during the wartime, Japan's production of crude oil in 1948 was only 47% of the prewar level. Although production gradually recovered in 1949 to 218,287 kilolitres, it was still 59% of the 1935-37 average of 378,100 kilolitres.

Japan has meager oil resources. Excluding postwar discoveries of oil beds in Akita Prefecture and Hokkaido with estimated oil reserves of a million and several hundred thousand kilolitres, Japan had as of 1949 proven oil reserves of 3,460,000 kilolitres and estimated reserves of about 14,000,000 kilolitres, but exploitable oil reserves are expected to increase hereafter through deeper drilling and prospecting of new wells by the use of up-to-date drilling machinery and other technical know-how imported from the United States.

As for the oil producing companies, the Teikoku Oil Co., Ltd., which is the product of wartime amalgamations of the principal oil producing companies, accounts for over 95% of the total crude oil production of Japan. The Daido Oil Co., Ltd., with a far smaller scale, ranks next. The others are small producers of little consequence. (See Table II, showing crude oil production in 1949, by producers).

TABLE I. COMPARISON OF THE PRIVATE OIL REFINING CAPACITY OF JAPAN WITH THE DOMESTIC PRODUCTION OF CRUDE OIL AND IMPORT OF CRUDE OIL

(Volume in kilolitres; Index numbers, 1935-37 average domestic production=100)

Year	Oil refining capacity		Domestic production of crude oil		Import of crude oil		Index number of total supply of crude oil
	Quantity	Index No.	Quantity	Index No.	Quantity	Index No.	
1933	1,399,920	380	225,566	60	1,018,350	286	386
1934	1,542,840	408	263,862	75	1,200,327	318	393
1935	1,767,840	467	350,957	93	1,332,052	382	445
1936	1,767,840	467	390,700	103	1,676,098	443	546
1937	2,115,240	558	392,643	104	2,326,324	620	724
1938	2,151,240	569	391,680	103	1,975,895	522	625
1939	2,271,680	600	370,751	98	1,745,663	462	580
1940	2,291,220	605	334,834	89	2,281,508	605	694
1941	2,752,320	727	395,720	105	693,812	193	284
1942	2,780,220	735	262,605	69	589,732	148	217
1943	2,144,020	565	274,524	73	980,841	259	332
1944	2,022,320	534	254,542	67	208,728	55	122
1945	1,143,600	302	245,452	65	0	0	65
1946	1,143,600	302	213,400	56	0	0	54
1947	1,143,600	302	203,719	54	0	0	47
1948	1,143,600	302	178,702	47	0	0	47
1949	1,143,600	302	218,287	59	0	0	59

After Japan's surrender in August 1945 the oil industry of Japan was placed under SCAP's complete control for reparations purpose, and all business activities, including oil drilling, refining and selling, were prohibited.

What amounts of oil products as were imported and released by SCAP were limited to those which were absolutely essential for stabilization of the people's livelihood. Though subsequently the domestic production and refining of

TABLE II. DOMESTIC PRODUCTION OF CRUDE OIL IN 1949, BY PRODUCERS

(In kilolitres)			
Name of producer	Name of plant	Production	Percent
Teikoku Oil Co., Ltd.	Hokkaido	3,786	
	Akita	99,454	
	Yamagata	50,296	
	Niigata	49,770	
	Sagara	12	
	Sub-total	203,298	94.3
Daido Oil Co., Ltd.	Akita	1,796	
	Niigata	3,262	
	Sub-total	5,058	2.3
Others producers		7,506	3.4
Total crude oil production		215,862	100.0
Natural gas		2,425	
Total production		218,287	

Oil Refining.—Although the domestic crude oil refineries on the Japan Sea coast escaped war damage, the Pacific coast refineries for processing imported crude oil all sustained heavy war damage, with the result that Japan's oil refining capacity suffered a great reduction. Tables III, IV and V show the names of the Japanese oil refining companies and the postwar processing capacity of each of their refineries prior to the rehabilitation of the Pacific coast refineries.

Among the refineries located on the Pacific coast, nine (see Table VI) received in the autumn of 1949 permission to resume operations. The Yokohama and Kudamatsu refineries of the Nippon Oil Co., Ltd., the Kawasaki refinery of the Showa Oil Co., Ltd., the Yokkaichi refinery of the Daikyo Oil Co., Ltd. and the Shimizu refinery of the Toa Fuel Industry Co., Ltd. have already commenced operations, while the other licensed refineries are scheduled to resume operations by May 1950. The total quantity of crude oil guaranteed to be allocated to these nine licensed refineries is 25,000 barrels per day, or 7,500,000 barrels (1,200,000 kilolitres) per year, assuming that there are 300 workable days a year. Upon the completion of their rehabilitation, which is scheduled to be achieved in the first half of 1950, they are expected to have a daily processing capacity of 41,500 barrels (1,980,000 kilolitres a year) of topping oil, 14,530 barrels (693,000 kilolitres a year) of

TABLE III. PROCESSING CAPACITIES OF THE PACIFIC COAST OIL REFINERIES (1949)

(In kilolitres)			
Name of company	Name of refinery (Name of prefecture)	Monthly processing capacity	Heavy or light oil processing
Nippon Oil Co., Ltd.	Yokohama (Kanagawa)	13,750	Principally light
	Kudamatsu (Yamaguchi)	10,000	" " "
	Tsurumi (Kanagawa)	—	—
	Amagasaki (Osaka)	—	—
Showa Oil Co., Ltd.	Kawasaki (Kanagawa)	7,500	Principally light
	Kainan (Wakayama)	1,000	Principally heavy
Maruzen Oil Co., Ltd.	Shimizu (Wakayama)	900	Principally light
	Imafuku (Nagasaki)	450	Principally heavy
	Matsuyama (Ehime)	7,000	Heavy (lubricating oil)
	Osaka (Osaka)	—	—
Koa Oil Co., Ltd.	Yokohama (Kanagawa)	2,400	Heavy
	Marifu (Yamaguchi)	800	Light
Daikyo Oil Co., Ltd.	Yokkaichi (Mie)	6,500	Heavy (lubricating oil)
Toa Fuel Industry Co., Ltd.	Shimizu (Shizuoka)	7,500	Principally heavy
	Wakayama (Wakayama)	—	—
Mitsubishi Oil Co., Ltd.	Kawasaki (Kanagawa)	—	—
	Tomishima (Awaji Is.)	—	—
Total (7 companies with 17 refineries)		56,800	
Former army and naval fuel arsenals	Iwakuni (Yamaguchi)	25,000	
	Yokkaichi (Mie)	100,000	
	Tokuyama (Yamaguchi)	40,000	
	Ofuna (Kanagawa)*	—	
Total (4 fuel arsenals)		165,000	

* This is a pilot plant and has no capacity.

TABLE IV. PROCESSING CAPACITIES AND OPERATING RATES OF THE OIL REFINERIES LOCATED IN THE DOMESTIC CRUDE OIL PRODUCING DISTRICTS ON THE JAPAN SEA COAST (1949)

(In kilolitres)							
Name of company	Name of refinery	Monthly processing capacity	Light oil	Heavy oil	Total	Annual processing capacity	Actual amount processed (1948)
Nippon Oil Co., Ltd.	Hokkaido	1,000	0	1,000	12,000	3,613	30
	Akita	6,000	4,000	10,000	120,000	34,747	29
	Niigata	0	6,500	6,500	78,000	38,255	49
	Kashiwazaki	5,000	0	5,000	60,000	23,923	40
Showa Oil Co., Ltd.	Niigata	(2,000)	(6,500)	(5,000)	(78,000)	(14,925)	(34)
	Hirasawa	0	3,000	3,000	36,000	14,925	42
Nippon Mining Co., Ltd.	Funakawa	7,000	1,000	8,000	96,000	38,342	40
Total (3 companies with 7 ref.)		21,000	19,000	38,500a	462,000	180,448	39
				(40,000)	(480,000)		(38)

a The monthly capacity of the Niigata Refinery of the Showa Oil Co., Ltd. is variously given as 5,000 or 6,000 kilolitres, depending upon the source of data. In this table we have taken the former figure and arrived at the total capacity of 38,500 kilolitres for all refineries.

vacuum oil and 8,000 barrels (382,000 kilolitres a year) of cracking oil. In the second half of 1950 there is possibility of rehabilitating four more refineries in addition to the above licensed refineries. Again, pursuant to the McCoy Statement, a plan is now being drawn up for the converted use of the former army and naval fuel arsenals,

which were originally excluded from the list of refineries to be rehabilitated. There is, therefore, a possibility of rehabilitating and expanding the total capacity of Japanese oil refineries to between 3,500,000 and 4,000,000 kilolitres, which will cover Japan's present minimum oil requirements of 3,000,000 kilolitres.

TABLE V. TOTAL CAPACITIES OF JAPANESE OIL REFINERIES IN 1949 (PRIOR TO REHABILITATION)

(In kilolitres)					
Category	Located area	Number of companies and refineries	Rehabilitable refineries	Monthly processing capacity	Annual processing capacity
Private operation	Japan Sea coast	3 companies with 7 ref.	3 companies with 7 ref.	38,500	462,000
	Pacific coast	7 companies with 17 ref.	7 companies with 17 ref.	56,800	681,000
	Sub-total	8 companies* with 24 ref.	3 companies* with 24 ref.	95,300	1,143,000
Former army & naval fuel arsenals	Pacific coast	4 refineries	3 refineries	165,000	1,980,000
Total		28 refineries	23 refineries	260,300	3,123,000

* The sub-total for the number of companies does not equal the number of companies added up because some of the companies operate refineries on both the Japan Sea coast and the Pacific coast, thereby involving duplications of figures when they are added together.

Import of crude oil and the demand for refined oil products

Demand for and Supply of Foreign Oil.—In November 1949, concurrently with the permission to resume operations of the Pacific coast refineries, permission was granted for the import of 4,005,000 barrels (635,000 kilolitres) of crude oil in the first half of 1950. Although Japan is not yet in a position to freely import her total requirements for crude oil, her import of crude oil is expected to increase along with the rehabilitation and expansion of the Pacific coast refineries. While it is true that for the time being a substantial quantity of refined oil must be imported from abroad because the demand for oil in Japan cannot be fully met by domestically refined oil from imported crude oil only, the import of refined oil is being gradually shifted to the import of crude oil. According to present plans, by 1953 the total annual requirements of 3,500,000 kilolitres of oil will be met by the import of 3,000,000 kilolitres of crude oil for domestic refining and by the import of only 500,000 kilolitres of refined oil (heavy oil and lubricating oil).

The demand for and supply of oil in the 1950 fiscal year as planned by the Japanese Government is shown in Table VII, according to which plan the demand is set at about

TABLE VI. LICENSED AND UNLICENSED OIL REFINERIES ON THE PACIFIC COAST
(Quantity in barrels per day)

Name of company	Name of refinery	Licensed or unlicensed	Allotment of crude oil for processing	Date of commencing operations
Nippon Oil Co., Ltd.	Yokohama	Licensed	4,000	Jan. 1, 1950
	Kudamatsu	"	4,000	"
Showa Oil Co., Ltd.	Kawasaki	"	4,000	"
	Kainan	Unlicensed	0	"
Maruzen Oil Co., Ltd.	Shimizu	Licensed	3,000	Apr. 1, 1950
	Imafuku	Unlicensed	0	"
	Matsuyama	"	0	"
Koa Oil Co., Ltd.	Yokohama	Licensed	2,500a	In May 1950
	Marifu	"	over 1,000b	Jan. 1, 1950
Daikyo Oil Co., Ltd.	Yokkaichi	"	4,000	"
Toa Fuel Industry Co., Ltd. ..	Shimizu	"	6,000	Apr. 8, 1950
	Wakayama	"	1,500a	In Apr. 1950.
Mitsubishi Oil Co., Ltd.	Kawasaki	"		

a Cracking stock.

b Navy special oil (fuel oil).

3,000,000 kilolitres. This quantity, however, is far below the quantity considered necessary for the industrial rehabilitation of Japan at present. There is a very short supply of gasoline and light and heavy oils, all of which are essential for industrial purposes, though there is a possibility of an excess supply of such derivative products as kerosene, asphalt, spindle oil and turbine oil. At present 85% of the gasoline available is used for running motor cars, but since 810,000 kilolitres of gasoline is needed to run all the motor cars in Japan the above plan for

389,000 kilolitres of gasoline plus 45,000 kilolitres of light oil is able to cover only about 53% of the total requirements for gasoline.

Small fishing motor vessels are the largest consumers of heavy oil in Japan. Whereas the actual oil requirements for this purpose are estimated at 720,000 kilolitres, under the plan referred to above only 643,000 kilolitres, or 85% of the requirement, is allotted for this purpose, which fact renders fullscale fishing operations impossible.

TABLE VII. PLAN FOR THE DEMAND AND SUPPLY OF OIL DURING THE 1950 FISCAL YEAR

(April 1, 1950-March 31, 1951) (In kilolitres)

	Gasoline	Kerosene	Light oil	B Heavy oil	C Heavy oil	Lubricating oil	Grease	Paraffin	Asphalt	Total	Increase over preceding year
Demand:											
Occupation Forces	4,000	750	52,000	110,000	150,000	5,500	350	200	1,200	324,000	98,839
Motor cars	389,000	0	45,000	0	0	36,630	360	0	0	470,990	37,300
Shipping	1,800	3,250	8,000	350,000	0	24,500	240	0	0	387,790	2,245
Agriculture & forestry	5,000	53,000	42,000	7,800	0	16,000	1,200	0	0	125,000	5,948
Fishery	3,150	16,630	85,290	496,590	0	40,730	410	0	0	642,800	24,060
Mining & manufacturing	35,000	20,000	20,560	105,000	314,000	112,000	14,200	6,800	73,530	701,090	40,020
Gov't and other public requirements	14,700	15,760	15,670	26,000	0	23,000	1,400	0	0	96,530	13,067
Sub-total	452,650	109,390	268,520	1,095,390	464,000	258,360	18,160	7,000	74,730	2,748,200a	221,209
(Increase or decrease (-) from preceding year)	(30,154)	(22,645)	(8,668)	(114,692)	(20,976)	(18,555)	((-876)	(333)	(5,864)	(221,209)	
Running stock	57,000	14,000	34,000	137,000	51,000	31,000	2,400	1,000	1,000	337,400	
Total demand	509,650	123,390	302,520	1,232,390	515,000	289,310	20,560	8,000	84,730	3,083,600	
Supply:											
Estimated stock as of Mar. 31, 1950	53,000	11,000	32,000	130,000	50,000	30,000	2,400	800	8,000	317,200b	
Estimated production of domestic products	26,100	29,150	14,460	40,290	0	51,670	18,160	1,132	25,460	206,422b&c	
Estimated production from imported crude oil	430,550	83,240	256,060	304,517	181,168	147,145	0	15,276	51,270	1,469,226b	
Total supply	509,650	123,390	302,520	474,809	231,168	228,815	20,560	17,208	34,730	1,992,850	
Amount of refined oil needed to be imported	(crude oil 1,480,000c(b))		0	1,057,581d (300,000)	283,832	60,545	0	0	0	2,881,958d	

a The total demand of 2,748,200 kilolitres in the 1950 fiscal year represents an increase of about 2,000,000 kilolitres over the demand (partly actual consumption) in the 1949 fiscal year. With the exception of grease, an increase over the previous year's demand is noted in all categories of use and in all items of products.

b To meet this demand the supply is intended to be obtained from the following sources: (a) 317,200 kilolitres from estimated stock existing as of March 31, 1950, (b) 206,422 kilolitres from estimated output of refined oil from domestic crude oil, and (c) 1,469,226 kilolitres from estimated production of refined oil from imported crude oil (crude oil and cracking oil).

c The sources of crude oil from which the above supply of refined oil is expected to be processed are: (a) domestic crude oil 25,000 kilolitres, (b) imported crude oil 1,480,000 kilolitres and (c) imported material heavy oil 300,000 kilolitres (see d below).

d The requirement for Occupation Forces indicated in the above table includes 208,000 kilolitres of light oil, B heavy oil and C heavy oil for use as fuel for oil tankers proceeding to Bahrain Island, Persian Gulf. The 1,057,581 kilolitres of B heavy oil needed to be imported includes about 300,000 kilolitres of heavy oil (see c(c) above) to be used as raw material for obtaining cracking oil.

Dollar Shortage and Import of Oil from the Sterling Area. — With the transfer of the import trade of Japan to a private basis since January 1, 1950, the import of crude oil and a part of refined oil has been placed on a private basis under a licensed system as a principle, though the import of refined oil with GARIOA funds will be continued as heretofore. It happens, however, that Japan has no spare dollar funds for the import of oil on a private basis owing to her unfavorable balance of trade with the United States. Such being the case there is no way but to import against payment in sterling within the limit of the Anglo-Japanese Trade Agreement if oil is to be imported on a private basis. If the sterling and the American dollar were freely convertible, Japan could buy oil from American companies and pay in sterling, which could be converted into dollars by the American companies. In this way Japan could buy both dollar oil and sterling oil. However, under the existing condition where the sterling is not freely convertible into dollar, private import of oil into Japan must necessarily be confined to the purchase of sterling area oil from British companies. Thus no free selection of purchase is possible, which fact is disadvantageous to both Japan and the United States.

In the first place, this inability to purchase American oil nullifies the purpose for which Japanese oil companies entered into capital and business affiliation with American oil companies. During 1948 and 1949 five American oil companies and one British oil company entered into business affiliations with Japanese oil companies, as follows: (1) Caltex Oil Co. and Nippon Oil Co., Ltd., (2) Caltex Oil Co. and Koa Oil Co., Ltd., (3) Standard-Vacuum Oil Co. and Toa Fuel Industry Co., Ltd., (4) Tidewater Associated Oil Co. and Mitsubishi Oil Co., Ltd., (5) Union Oil Co. and Maruzen Oil Co., Ltd., (6) Shell Oil Co. (British company) and Showa Oil Co., Ltd. (in all of the foregoing cases the Japanese companies will do the refining and selling of oil in Japan), (7) Standard-Vacuum Oil Co. and General Bussan Co., Ltd., and (8) Sun Oil Co. and Nippon Trading Co., Ltd. (in the foregoing two cases the Japanese companies will act as sole distributors). Such affiliations with foreign oil companies involve contracts for the sale of crude oil and refined products and technical assistance in the case of most of the companies and also capital participation in the case of Toa Fuel Industry Co., Ltd. and Mitsubishi Oil Co., Ltd. and acquisition of plant and equipment in the case of Nippon Oil Co., Ltd. For the implementation of these affiliations, it is necessary to make possible the free private importation of oil from whatever sources, whether they be dollar or sterling area.

As the situation stands at present, those Japanese oil companies which have established affiliations with American oil companies are unable to receive technical assistance and the

supply of crude oil from the latter. Under the circumstances, the import of oil into Japan is at present monopolized by the Shell Oil Co., which is able to supply oil from the sterling area on a private basis. This is an irrational and disadvantageous situation, for it means that on the one hand the American oil companies are now shut out of the Japanese market and on the other hand Japan has no choice as to the quality and price of the imported oil.

In the second place, the crude oil imported by the Shell Oil Co. from Kuwait on the Persian Gulf and from Seria of North Borneo is not quite satisfactory, for the former contains much sulfur, while the latter is not suited for manufacturing lubricating oil. Both types of oil are not only inferior in quality to the California oil imported with GARIOA funds and unsuited for Japanese oil refining facilities, which are adapted for processing California oil, but also cost more than California oil.

Such being the case, Japanese oil companies are requesting an increase in the allocation of dollar funds for imports on a private basis, but since no spare dollar funds are available and since it is undesirable even then to import sterling oil through the Shell Oil Co. alone, a measure has been taken to import on a government basis San Joaquin crude oil of California with GARIOA funds during the January-March 1950 quarter, while importing some Kuwait and Seria oil on a private basis through the Showa Oil Co., Ltd., which has business affiliation with the Shell Oil Co. Thus the import of crude oil on a full-scale private basis has not been realized as yet and the import of oil with GARIOA funds is contemplated for the April-June 1950 quarter also. Since the reduction or abolition of GARIOA funds is anticipated for the period from July onward and since, in any case, no hope can be placed on GARIOA funds for any long period of time hereafter, there will be eventually no way out other than to import oil on a private basis. Japan hopes, however, that some kind of a solution to this problem will be effected by that time on the part of either the American oil companies or SCAP.

Problem of Tankers.—For the improvement of Japan's balance of international payments it is necessary, above everything else, to earn freight income through overseas transportation by Japanese merchant marine, but, unfortunately, Japan lacks sufficient merchant marine for this purpose and is as yet prohibited from engaging in overseas shipping. Out of a total of 70 oil tankers owned at present, only 10 are suited for overseas voyages and even these are aged vessels of not more than 10,000 tons D/W. Moreover, since these have not obtained A or B rating, or Lloyd's ratings necessary for competing with foreign vessels, they must be remodelled. The total transport capacity of these 16 tankers is 175,000 kilolitres, or 875,000 kilolitres

a year, assuming that they are able to make five voyages a year between the Persian Gulf and Japan. Since Japan's total oil import requirements are 2,880,000 kilolitres, consisting of 1,480,000 kilolitres of crude oil and 1,400,000 kilolitres of refined oil, the above transport capacity of 875,000 kilolitres a year can cover less than 40% of the total import requirements. Accordingly, construction of eight oil tankers of 18,000 tons D/W each is being planned at present and is scheduled to be completed about the end of 1950. When these tankers are launched, they will have a total tonnage of 150,500 tons D/W and will be capable of transporting 700,000 kilolitres of oil each year, which will make it possible to carry in Japanese tankers more than 50% of the total oil imports of Japan in 1951 and thereafter.

Be that as it may, only 15 oil tankers are now engaged, with special permission from SCAP, in transporting crude oil from the Bahrain Island on the Persian Gulf. All other oil imported into Japan is carried in American and British tankers.

Outlook

It is true that the Japanese oil industry had in the past a strong military tinge, having been protected by the state in the course of its development as one of the munitions industries. Such a military tinge, however, has been completely eliminated by now and oil industry is making a phenomenal recovery unparalleled by that of the other industries. In view of the world-wide tendency toward the use of oil in lieu of coal, the rehabilitation and modernization of Japanese industries will further increase the demand for oil and enhance the importance of the oil industry as a peacetime industry.

Nevertheless, the Japanese oil industry has still numerous unsolved problems. For example, Japan is not yet permitted to decide on her own initiative her oil refining capacity in accordance with the demand. And even if this were possible, so long as Japan must depend on overseas oil for 90% of her oil requirements, the foundation of the Japanese oil industry is not stabilized because it is greatly influenced by the world's demand and supply of oil and also by the oil policies of the United States, United Kingdom and other countries. Moreover, though the state control of the oil industry has been greatly relaxed and the industry has been transferred to private hands since the abolition of the Oil Corporation ("Sekiyu Kodan") in March 1949, the import, production and distribution of oil still require strict control as in the case of other essential commodities because of the extreme short supply of oil in Japan. For this reason, not only Japanese oil companies but foreign oil companies also have not yet been permitted to freely engage in business activities. Thus there remain many difficult, complicated problems for the Japanese oil industry to solve in the future.

Exports of Hongkong Manufactured Commodities for June 1950 and for the First Six Months of 1950

Exports of locally - manufactured goods from Hongkong under Imperial Preference Certificate or Certificate of Origin during the month of June amounted to HK\$15,051,419, an increase of \$1,180,740 or 8.5% above the exports for May although \$1,169,723 or 7.2% below those for April.

Cotton Yarn took the lead, with exports totalling \$3,351,584, followed by Shirts & Clothing with \$1,408,253 and Knitted Wares \$1,403,770.

Shipments to Pakistan took first place during June with an amount of \$4,082,935; the United Kingdom came next with purchases to the value of \$3,636,464, the lowest figure for this year.

Exports for the Six Months

For the January-June period of this year exports of locally-made goods under I.P.C. and C.O. totalled \$75,642,124. As the following figures show, the second quarter of the six months showed a considerable improvement over the first quarter:—

1950	\$
January	9,704,802
February	9,060,934
March	11,733,148
1st Quarter	30,498,884

1950	\$
April	16,221,142
May	13,870,879
June	15,051,419
2nd Quarter	45,143,240
Total	75,642,124

April was the highest month for such exports with a total of \$16.2 million, February was lowest with only \$9.1 m.

The highest export value during the six months was reached by Knitted Wares in April with \$3.52 million, next came Cotton Yarn in June with \$3.35 m., and Shirts & Clothing in May with \$3.09 m.

Knitted wares headed the list of exports of Hongkong manufactures over the six months with a total of \$13.65 million, Shirts & Clothing came next with \$9.63 m., Rubber Shoes third with \$9.44 m., Cotton Yarn fourth with \$8.26 m., Cotton Piece Goods fifth with \$5.71 m. and Enamelware sixth with \$5.37 m., while Flashlight Torches were seventh with \$4.06 m.

Below is given a comparison of the principal exports over the six months' period with the monthly average for 1949:—

	Knitted Wares	Shirts etc.	Rubber Shoes	Cotton Yarn	Cotton Pce. Gds.	Enamel Wares	Flashlights
1949	\$	\$	\$	\$	\$	\$	\$
Monthly Average	0.64	0.50	1.11	0.24	1.53	0.71	0.52
1950							
January	2.07	0.63	1.97	0.50	1.04	0.70	0.34
February	1.87	0.52	1.32	1.51	.82	.53	.52
March	2.66	1.28	2.31	.88	.73	.65	.66
April	3.52	2.69	2.05	1.53	.95	1.17	.82
May	2.13	3.09	1.23	48	1.06	1.00	.60
June	1.40	1.41	.56	3.35	1.11	1.32	1.12
Total	13.65	9.62	9.44	8.25	5.71	5.37	4.05

Exports to Great Britain for the January-June period amounted to \$32,961,430 or 43.6% of the total. As previously pointed out, however, Pakistan came first in June and the United Kingdom second in purchases of locally-manufactured goods:—

	U.K.	Pakistan
January	4,429,753	345,050
February	3,847,415	246,283
March	6,082,718	248,043
April	3,408,714	154,663
May	6,556,366	1,197,050
June	3,636,464	4,082,935

Local Manufactures Exported under I.P.C. and C. of O. during the First Six Months of 1950

Description	Quantity	Value HK\$
Batteries	121,571 doz.	\$184,156
Birds Nest	55 lbs.	2,127
Bean Stick	5,153 lbs.	11,969
Bulbs for Flashlights	17,439,770 pcs.	837,191
Buttons	395,966 gt. grs.	1,148,831
Camphor-wood Chest	125 sets	152,860
Camphor Tablets	156,302 lbs.	501,581
Canning & Preserved	122,302 lbs.	
	6 barrels	
	303 c/s	185,972
	360 bot.	
Cotton Piece Goods	4,691,479 yds.	5,711,628
Cotton Yarn	7,148 bales	8,255,664
Cotton Thread	560 gross	8,219
Cutlery	330 pcs.	840

Description	Quantity	Value HK\$
Cosmetic & Perfumery	95,794 doz.	307,847
Enamel Ware	974,450 doz.	5,371,081
Eggs	1,738 lbs.	21,832
Embroidery	6,646 doz.	
	1,662 sets	277,181
	35,700 pcs.	
Electrical Accessories	2,506 doz.	16,058
Fibre Ware	1,400 pcs.	
Fish & Fishery		
Products	3,261 catstie	19,237
Fire Crackers	9,719 c/s	699,264
Feathers	1,122 pcis.	640,114
Ginger	125,328 lbs.	114,943
Glass Ware	96,144 doz.	
	48 lbs.	257,895
	2,490 gross	
Gourmet Powder	326 doz.	88,538
Groundnut Oil	88,294 catties	170,841
Handkerchiefs	50,325 doz.	224,242
Hard Wares	24,162 gross	
	2,297,633 doz.	
	1,320 sets	112,583
	24 rolls	
	20,839 lbs.	
	2 pcs.	
Hide	300 pcs.	43,120
Hats & Caps	31,860 doz.	230,098
Hurricane Lanterns	21,885 doz.	515,979
Iron Charcoal	1,612 doz.	90,689
Ivory	15 doz.	
	2 pcs.	994
Jewellery	36 pcs.	504
Kerosene Water	200 doz.	716
Kerosene Lamps	14,087 doz.	455,894
Knitted Ware	638,782 doz.	
	4,500 yds.	13,652,759
Leather Shoes	30,776 pairs	236,414
Leather Ware	19,415 doz.	143,343
Matches	64,938,660 boxes	1,416,779
Flashlight	213,108 doz.	4,056,405
Lamp Wicks	3 doz.	10
Machinery	7 nos.	
	15 sets	55,478
Mats & Matting	1,649 bales	
	10,650 pcs.	131,111
	44 piculs	
	3 crates	
Mosquito Destroyers	184,400 boxes	93,625
Needles	50,078,000 pcs.	149,871
Paint Varnish & Lacquer	39,072 lbs.	72,946
Pencils	22,4478 gross	174,198
Proprietary Medicines & Chinese Raw Medicine		
	6,016 lbs.	
	195,060 doz.	496,042
	1,528 cats.	
	12,000 bots.	
Plastic Ware	12,578 doz.	
	30 gt. grs.	168,206
	25 sets	
Printed Paper	201,407,000 sheets	
	50,006 sets	904,269
Rattan Ware	2 c/s	
	10,565 bales	
	6,900 sq. ft.	
	15,383 sets	299,176
	23 crates	
	4,596 doz.	
Rattan Cane & Peel	3,969 bales	
	480 sets	
	7,800 sq. ft.	
	17 piculs	424,617
	21 crates	
	2,520 cats.	
Ropes	129,925 lbs.	
	200 doz. bls	149,714
Rubber Shoes	4,441,665 pairs	9,441,967
Seagrass Twine	2,346 bales	128,827
	12 piculs	
Shoe Laces	15,699 grs. pair	95,353
Soap	30,000 lbs.	64,431
Shirts, and Clothing	170,279 doz.	9,625,788
Sugar Candy	9,163 catties	6,514
Rubber Ware	1,244 doz.	13,530
Silk & Mill (Art.)	168,156 yds.	499,699
Socks	149,538 doz.	913,200
Tea	3,607 lbs.	22,332
Table Cloth	2,950 dob.	73,604
Towels	211,377 doz.	2,253,901
Toys	119,659 doz.	503,681
	9 sets	
Rain Coats	652 doz.	97,787
Tooth Brush	421 gross	21,789
Umbrellas	34,522 doz.	946,348
Vacuum Flasks	13,413 doz.	504,521
Watch Bands	40,798 doz.	511,837
Printed Cloth	4,000 yds.	
	875 doz.	13,640
Cigarettes	916 c/s	494,404
Total		\$75,642,124

COMMERCIAL MARKETS

Paper Trade Prospects

Considerable speculation has been rife as to the future prospects of the local paper market. The import restrictions imposed by the People's Government upon paper of foreign origin, arising out of the trade pact with Russia under which the latter country agreed to supply China with paper in return for certain commodities, have created an unexpected impasse in the Hongkong paper trade which has caused prices to fall below the European indent level.

It is argued that Russia cannot supply China's needs in this respect if the pre-war figure of around 300,000 tons a year is taken as the base; but on the other hand, the close watch kept upon all printed matter by the Chinese Communists has allowed them to cut down present requirements to an estimated 80,000 tons. As an indication of Russia's inability to supply the full quantity needed, it is noteworthy that about a month ago the South China purchasing authorities were in the local market for 1,000 tons of paper.

Although it may not affect the situation to any marked extent, the quality of Russian paper is not up to that from other sources; Russian newsprint, for instance, is usually of a yellower tinge and not as good texture as other makes.

Merger of Depts. of Supplies &

Distribution & Commerce & Industry

From the 1st September, 1950, the Department of Supplies & Distribution will be merged with the Department of Commerce & Industry. As from that date any correspondence or enquiries regarding matters now dealt with by either of these departments should be addressed to the Director of Commerce & Industry, Fire Brigade Building.

HONGKONG COMMODITY REPORTS

(HK\$ equals 1s. 3d. or US 17½ cents;
1 picul equals 133.3 lbs.)

Cotton Piece Goods & Cotton Yarn

Trading in Cotton Piece Goods was particularly active during the week with Pakistan dealers in the market and local stockholders buying heavily upon reports of further increases in the rates quoted for fresh supplies. Further rises in the price of Grey Sheeting has brought them practically up to the indent prices. In Grey Sheeting, Double Flying Dragon, Fancy Butterfly and Fairy Eagle rose to \$49, Dragon Head and Prosperous to \$50, Indian 3995 36" to \$46 and Japanese 2024 to \$50 per piece; in White Cloth, Memorial Pagoda and Parachute rose to \$54 and Five Saints to \$56 per piece; in Black Cloth, both Amoy and Yu Tai improved to \$50 per piece.

Dealers from Thailand and Pakistan made heavy purchases of Cotton Yarn. Lower stocks, combined with the announcement by the Indian Government that all licences previously approved for the export of Cotton Yarn must be utilised before August 15, 1950, after which date no further licences would be granted, caused prices to rise

further. Temporary restrictions have also been imposed in Canton as from August 1st on the exportation of Shanghai 32's, possibly as a result of the low prices ruling in Hongkong. Exports from Canton of Shanghai 40's and 42's are, however, not restricted. With a shortage of Shanghai yarn, the demand for the Indian product was heavy, and the majority of 20's are now at or over \$1000 per bale. In 10 counts, Kaleeswarar Mills and Saree Hanuman Cotton Mills rose to \$870 per bale, Flying Peacock (Indian), Dawn Mills and Gokak Mills increased to \$880, and Yacht rose to \$1000 per bale. In 20's, Colaba Land & Mill, Cambodyia, and Kamala Mill 607 improved to \$1030 per bale, Krishna Kumar Mills rose to \$1040, Flying Peacock and Golden City (new) rose to \$1020,

Golden Peak to \$1450, Pine & Bamboo to \$1350, Red Lee to \$1200, Red Rose and Yacht to \$1380 each. In 32's, Ameto increased to \$1520 per bale, Flying Fish to \$1570, Golden Peak to \$1580 per bale.

Raw Cotton

Prices of Raw Cotton have shown a further rise during the week, although transactions were comparatively light. Uncertainty as to future deliveries have made stockholders unwilling to part with their stocks to any great extent. Prices at the close were: US 1" \$2.50 per lb., 15/16" 1st quality \$2.30, 7/8" 1st quality \$2.20 and 2nd quality \$2.14; Pakistan 48/49 NT-roller gin \$2.15 per lb., LSS-roller gin \$2.13, 4F-roller gin \$2.02, 289F \$2.16 per lb., and Cotton Waste \$1.40 per lb.; Rangoon superfine quality \$1.85, 1st quality \$1.75; Thai Raw Cotton \$1.75 per lb.

Metals

Mild Steel Plates showed improvement during the week with Canton merchants buying heavily. Prices improved correspondingly: 4' x 16' $\frac{1}{4}$ ", 5/16" and $\frac{3}{8}$ " increased to \$40 per picul, 4' x 8' $\frac{1}{32}$ " improved to \$62 per picul, 1/16" to \$55, 3/32" to \$53, while $\frac{1}{8}$ ", 3/16", $\frac{1}{4}$ ", 5/16", $\frac{3}{8}$ " and $\frac{1}{2}$ " rose to \$42 per picul. Galvanised Mild Steel Sheets, both thick and thin, of Japanese origin were in good demand; on the other hand the European product remained with no change in price. The ruling prices at the close were: Thick sheets, Japanese 3 x 7' G24 57 cents per lb, G26 66 cents and G28 70 cents per lb; European 3 x 8' G24 56 cents and G26 65 cents per lb. Thin sheets, Japanese G30 3 x 7' \$8.40 per piece, 3 x 6' \$6.90, while Belgium 3 x 7' improved slightly in price to \$8.20. Mild Steel Round Bars were amongst the most sought after metal during the week, with North China buyers taking some 1,000 tons while en route cargo was being offered at \$43 per picul. The price was in general good, Round bars 40 ft $\frac{1}{4}$ " being offered at \$38 per picul, 5/16" at \$37, $\frac{3}{8}$ ", $\frac{1}{2}$ " and $\frac{5}{8}$ " at \$32, 1" at \$33 $\frac{1}{4}$ " at \$34, $1\frac{1}{4}$ " and $1\frac{1}{2}$ " at \$36, 2", $2\frac{1}{2}$ " and 3" at \$40 per picul. Square bars remained unchanged, but Angle Bars showed considerable improvement $\frac{1}{4}$ " thick $\frac{3}{4}$ " going for \$44, 1" and $1\frac{1}{2}$ " being offered at \$37, while 3/16" thick $1\frac{1}{2}$ " stood at \$36 and $1\frac{1}{4}$ " at \$35 per picul. Flat Bars $\frac{1}{4}$ " thick $\frac{1}{2}$ ", $\frac{3}{8}$ " and $\frac{1}{2}$ " were offered at \$35 and 1"-2" at \$34 per picul.

Zinc Sheets showed brisk dealings during the week, largely on account of local buyers wishing to replenish stocks. The indent price was again raised: that of Polish Zinc Sheets G5 rose to \$165 per ton c.i.f. Hongkong, and G6 to \$161. On the local market Polish 3' x 8' G4 was offered at \$195, G5 at \$190 and G6 at \$180 per picul; Belgian 3 x 7' G10 stood at \$165 while used Zinc Sheets were offered at \$100 per picul. Copper Sheets also showed an improvement, with buyers from North China in the market. European 4 x 4' 5/32" was offered at \$270 per picul and 1/16" at \$265; Japanese 14 x 18" 12-20 ozs was offered at \$230. Corrugated Aluminium Sheets improved following the U.S.A. ban on exports and with Australian buyers in the market, 3 x 2 1/2' G24 going for \$24 per piece and G25 for \$18.

The market for Tin Plate Waste, Waste showed a falling tendency in so far as the U.S.A. product was concerned although the British make remained steady, due in large measure to Taiwan buyers who preferred the British cheaper product to that of the U.S.A. United States Steel Export, with permit, case packing (coke) 18 x 26, 22 x 26 and 25 x 28 were quoted at \$115 per 200 lbs, while Bat Brand stood at \$110 and Bethlehem Steel Export 18" also stood at \$110. Electrolytic Tinplate Waste, Waste, Bat brand case packing stood at \$100 per 200 lbs. Tinplate

Waste, Waste, 2nd quality 3 to 10" was in some demand by local manufacturers as holdings were low and some transactions took place at \$85 per case.

Galvanised Pipes 18 to 22' with export permits were fairly active during the week with traders from the mainland in the market. The ruling prices were: $\frac{1}{2}$ " 55 cents per ft, $\frac{3}{4}$ " 60 cents, 1" \$1.20, $1\frac{1}{4}$ " \$1.50, $1\frac{1}{2}$ " \$1.80 and 2" \$2.20. Iron Pipes also showed an improvement in price due to limited stocks, European black iron pipes $\frac{1}{4}$ " being offered at 45 cents, $\frac{3}{4}$ " at 55 cents, 1" at 90 cents and 2" at \$1.95. Galvanised Wire also saw a steady demand by Canton buyers. Prices however fluctuated and at the close were: European G6 \$47 per picul, G8, G10 and G12 \$46 per picul, G13 \$54, G14 \$57, G16 \$59, G17 \$64, G18 \$65, G20 \$70, G22 \$71 and G24 \$76 per picul.

Paper

The Paper market was dull at the commencement, with Taiwan requirements satisfied. However, the appearance of buyers from Singapore and Indonesia caused matters to brighten later. Local merchants were also in the market. Little change in price was noted and with the exception of Duplex Board, 240 lbs selling at \$150 per ream, 215 lbs at \$142 and 200 lbs at \$130 per ream, the tendency was downward although slight. Woodfree Printing prices remained as before with the exception of 60-62 lbs. which showed a slight decline to 57 cents per lb, also the 57-75 lbs white which also stood at 57 cents per lb. Bond Paper 32 lbs white registered a decline of 20 cents to \$20.30 per ream and Manifold Paper 16 1/2 lbs (blue wrapper) fell to \$12 per lb and 16 lbs white to \$11.80 per lb.

Cement

Japanese Cement showed a slight improvement towards the close of the week with supplies short and fresh stocks not due to arrive before mid-August. As a result, the 100 lbs bag improved to \$5.10, the ex-godown price standing at \$4.80 per bag, while Junk brand rose to \$95 per ton. Danish Bate brand white Cement improved to \$14.70 per 1 cwt. bag. Emeraldcrete Rapid Hardening (Green Island) 112 lb bag remained unchanged at \$7.70 (official price \$7.25) and Emerald Brand stood at \$6.80 (official price \$6.25). Snowcrete British white Cement stood at \$58 per drum of 375 lbs. nett (\$55). Snowcem Cement Paint was quoted at the usual price of \$58 per steel drum of 112 lbs nett ex-godown.

Glass

The local market in Glass remained somewhat dull during the week, with holders anxious to reduce their large stocks of the French and Czech makes which had recently arrived. French 100 ft 16-18 oz fell to \$22.50 per case, while Czech 200 ft. 24 ozs dropped to \$67. On the other hand Czech 300 ft. 44 ozs. best specification improved to \$500 per case, large specification to

\$460, middle specification to \$390 and small specification to \$320 per case. Cross reeded glass of British origin showed a slight improvement to \$1.10 per ft., and Large Arctic to 80 cents per foot. Insulight Hollow Glass Bricks of British origin 8 sq. in. declined to \$3.80 each and 6 sq. in. to \$3 each.

Rubber

With the continued increase in Rubber prices in Singapore, prices on the local market followed suit. Dealers were, however, reluctant to dispose of stocks in anticipation of future price rises hence the market was on the whole quiet during the week. A large shipment arrived from Singapore but the greater part had been earmarked for transshipment elsewhere, while the remaining portion had been previously sold forward. Buyers from Canton were in the market but substantial transactions were few. The ruling prices at the close were: Smoked Rubber Sheets, which were in good demand improved, No. 1 rising to \$330 per picul, No. 2 to \$325, No. 3 to \$320 and No. 4 to \$312 per picul. Smoked Rubber Ends remained stationary at \$250 per picul.

Tyres

A keen demand for tyres during the week by Canton dealers kept prices up in the local market, this being especially the case in those specifications which were low in stock. The demand for 1,000 x 70 military lorry tyres could not be met, whereupon dealers endeavoured to place orders for forward cargo; 32 x 6 and 37 x 7 tyres were also short and holders wishing to take advantage of this fact tried to increase the price, but buyers failed to show interest. Michelin 34 x 7 y and 32 x 6 y stocks were extremely low, a few transactions taking place at \$303 and \$220 per set. Good Year (England) 32 x 6 improved in price to \$240 per set and 34 x 7 to \$360, Firestone 34 x 7 stood at \$285 and 32 x 6 at \$230 per set, Yokohama 32 x 6 and 34 x 7 were \$200 and \$280 respectively. "India" (England) 32 x 6 and 34 x 7 also improved in price to \$235 and \$260 respectively.

Gunny Bags

North China dealers were in the market for Gunny Bags during the week. Stocks were however low and buyers turned their attention to forward buying, some transactions taking place at \$2.84 per bag c.i.f. Tientsin for August delivery while another consignment was quoted at \$2.92 per piece. Nepal Gunny Bags were quoted at \$2.88 per piece. Old bags 1st and 2nd quality remained at their former price of \$1.60 and \$1.35 respectively.

Flour

The local Flour market was dull, with a falling off in the demand by Taiwan and Thailand buyers which resulted in an all round decline. Prices at the close, were: Australian White

Green (50 lb. bags) \$12.50, AWB \$12 to \$12.30 per bag, Queen and Stonebridges \$12 and Five Swallows \$12.20. American Wheat Flour with little demand remained unchanged, with the exception of Five Bats which declined to \$12.60 per bag; while the Canadian product showed a decline in all transactions, Double Globe Brand falling to \$16 per bag, Kwan To to \$13.40, Golden Daffodil to \$16, Double Cross and Coat of Arms to \$15, Camel to \$14 and Moon Shine to \$13 while Radio Towers dropped to \$17 per bag.

Rice

The rice market was dull in anticipation of the arrival of a second lot of commercial Thai Rice. Some transactions took place with Thai superior quality selling for \$71.30 per picul. With few exceptions prices showed a downward tendency, Chai Mei "Fook Tze" selling at \$76, Fish Brand at \$81, and Fa Yui Victory (red line) at \$56.50, while Thai Bird brand declined to \$73 per picul and Rice Pearl 1st quality sold at \$50. On the other hand Chai Mei Fish Brand (red line) and Golden Dragon rose to \$81 per picul, while See Mew Farmer, One Gold Coin and Fish brand (green line) were transacted at \$70, \$73 and \$66.50 respectively.

Vegetable Oils, Ores & Other China Produce

Action taken by the Chinese Communists to unify the export floor price of Tungoil all over China will it is hoped help to stabilise exports, and with the improvement that has taken place in rail facilities as compared with the difficulty in obtaining supplies from Central China by sea, it is anticipated that Canton will become the main export centre for vegetable oils with transshipment at Hongkong. Keen buying during the week by US interests combined with an increased price in Canton caused a further improvement in Tungoil (Woodoil) on the local market. With low stocks, transactions on a large scale were difficult and the market reached almost a deadlock with more buyers than sellers. At the close, the price stood at \$188 per picul for export quality. Dealers at present are not dealing in forward cargo owing to the uncertain political situation; all transactions are in spot goods. Tea-seed Oil 4% acid followed a rising trend. At the close the price stood at \$157 per picul, with buyers offering \$154; the European buying offer was increased to £173 per ton. Aniseed Oil 15% rose to \$910 per picul, with lower stocks, but transactions were few. Cassia Oil 85% improved to \$1750 per picul, the US buying offer having been increased to US\$2 per lb.

Under the restrictions imposed by the Chinese Communists upon the export of minerals from China, stocks have become very low of both Tungsten (Wolfram) Ore and Tin Regulus 99%, although supplies of low percentages of the latter are fairly plentiful. There were no transactions in Tungsten during the week, the price being

quoted at \$430 per picul. Kwangsi (Hoyuen) Tin Regulus 99% sold at \$705 per picul and Yunnan 99% at \$700, while Singapore Marked Banker 99.75% fetched \$715. China Tin for soldering 50% rose to \$335 per picul and 42% to \$281 per picul. Stocks of Antimony 99% are still plentiful in Hongkong and in spite of buying by Indian merchants the price remained at \$175 per picul. Kwangsi Copper (Coin) Ingots were practically drained of stocks by Indian buyers and the price rose to \$130 per picul. Chinese Pig Lead 99% improved in price to \$97 per picul.

Most grades of Cassia Lignea showed an improvement, with active trading and an increase in the US c. & f. New York price to US 17 cents per lb., making local exporters more ready to accept orders. Cassia Lignea 84 catty packing (West River) was offered at \$70 per picul for 1st quality, although 2nd qual. stood at \$67; the 60 catty packing 1st qual. rose to \$70. Cassia Scraped (Tunghing) sold at \$95.50 per picul and Unscraped at \$93 per picul. West River Cassia in bulk sold at \$61 and the Kwangsi product at \$62.50 per picul.

Aniseed Star continued to rise, except for the Haiphong quality which fell to \$84 per picul; Nanning 1st qual. fetched \$90 and 2nd qual. \$64 per picul. Japanese dealers were again showing interest in Ramie and buying offers c.i.f. improved to US 21 cents per lb. The West River fibre improved in price to \$138 per picul, although the Szechuan fibre remained at \$140. Controls on the import of Ramie into Japan have now been lifted for the second half of this year, import tenders only being required.

With buying offers from the United States, the local Tea market improved and with the expectation that the market may remain active for some time supplies were obtained from Taiwan. The local market has been stagnant for some considerable time due to the lack of offers from Africa, which bought heavily last year but has now turned to Ceylon for supplies. The American demand comprised Green Tea for the most part although all types improved in price, BOP Tea rising to \$290 per picul, OP Tea to \$265, Pao Chung superior quality to \$340 and 1st qual. to \$280.

H.K. INDUSTRIAL CHEMICAL MARKET REPORT

Since a steamer contacted a mine near Shanghai and bombardment began again by Kuomintang aeroplanes, the market seemed to be adversely affected however, actually the market is firm as stock of most chemicals gradually declined. Although the upward tendency is not as quick as in previous weeks, yet business concluded was rather big. The future market is still on the strong side. Recently as a result of the advance of TT rate on New York, the indent prices were indirectly raised, therefore spot goods were sustained. It is anticipated that some sectors of the market will decline when fresh

shipments arrive. Under present uncertain world situation many importers do not wish to run the risk of placing new orders abroad.

Sodium bicarbonate. As extremely short supply by ICI, the Crescent brand 100 kg bags sold from \$51 per bag up to highest \$66 for small lots only. The French origin of the same packing in spite of stock being not reduced also sold from \$36.50 to \$50 per bag. At the week's end a larger quantity of France origin was sold between \$46 and \$47 per bag, whereas for small lots sellers asked up to \$50. Last year the highest of Crescent brand was \$50 per bag. Gum Arabic. No higher price has ever been established in post-war trading. When stock was extremely short, wholesalers sold by ten pound weight at \$3 per lb. Some interest on forward sale was at \$1.60 per lb. On August 3rd a large shipment, about 3000 bags, arrived. The market should be greatly affected. As this item has no extensive use, price is unable to stand firm when more goods arrive. The indent price for Egypt origin is 55 cts. per lb only. DNCB. Market advanced again. USA Monsanto 600 lb drums sold from 92 cts. per lb up to \$1.05, and ICI 280 kg drums sold 90 cts. The English origin 300 kg drums sold between 82 cts. and 84 cts. Red lead. Some lots of English origin 560 lb iron drums sold \$122 per picul. Now seller asked \$130, but no business recorded. Titanium dioxide. It is used in paint industry. USA origin 50 lb paper bags sold from \$3.50 up to \$3.90 per lb. As its consumption is limited, few importers show interest and the stock may be quickly exhausted. If demand disappears, the market may be quiet for over a year. Extract of mimosa. Elephant brand 1 cwt bags sold from \$77.50 per bag up to \$85. Extract of quebracho. Stock quite short. Crown brand 105 lb bags sold small lots at \$118 per bag, forward sale of which due Hongkong at the end of this month at about \$105.

Phenol. It established a price record since last year. Australia origin 448 lb drums sold from \$1.20 per lb up to \$1.46, and English Monsanto of the same packing sold from \$1.08 per lb up to \$1.30 too. Last year English Monsanto highest was \$1.15. Calcium carbonate. Japan origin light grade 50 kg bags sold a lot at \$295 per metric ton. Zinc oxide. Moderate business. Market tendency normal. Dutch origin or South Africa origin white seal 50 kg bags sold at 86 cts. per lb. Ammonium bicarbonate. Market advanced. ICI keep no stock. The dealers who keep ICI goods asked higher. ICI 2 cwt drums sold from \$74 per drum up to \$85, and now about \$90. The ICI 1 cwt drums once sold \$42 per drum, but now it is unavailable. The Poland or Czech brand 50 kg drums also sold about \$40 or higher per drum. Vaseline. Stock continued short. Snow white grade 400 lb drums sold from 65 cts. per lb up to 69 cts., and light amber grade of the same packing sold from 42 cts. per lb up to 48 cts. too. As the stock of snow white is not much, each business concluded is about ten drums or less. Caustic soda solid. Market at

standstill. Moderate business only. ICI brand 300 kg drums price ranging from \$125 to \$127 per drum, and USA origin 700 lb drums sold between \$93 and \$95 per drum. **Sodium cyanide.** Market active. ICI 50 kg drums stepped up from \$1 per lb to \$1.60, occasionally a few lots sold lower, but the market cannot be deemed to drop down greatly at the moment. **Sodium hydrosulphite.** Stock declined. Future market is anticipated to advance once more. France origin 50 kg drums sold from \$185 per picul up to \$215, and USA origin 250 lb drums around \$195.

Borax. In spite of several lots being sold at \$21 per bag for the USA origin granular form 100 lb paper bags, the market is expected not to climb up much as new shipment has arrived. The crystal form is still in short supply, however, as the demand is not for bigger quantity, market is expected firm. **Bleaching powder 70%.** USA origin 130 lb drums no spot goods for sale, all business was concluded on forward sale. Price from \$1.75 to \$1.95 according to the length of time of shipment arrival. As there are several shipments on way to Hongkong, and demand is heavy, the future market is doubtful. **Bleaching powder 35%.** As 70% has many shipments on way to Hongkong, the market of 35% is unable to advance much again. Red Heart brand 50 kg drums sold between \$35 and \$36 per drum, highest not exceeding \$37. USA origin 43 lb drums sold a lot at \$14 per drum. **Citric acid.** During the hot weather season in spite of local demands increasing, if there are no speculators on the market it is unable to advance. As in the past few months the relative humidity is rather high, most of the drums are damp and they must be sold lower. The crystal form of English origin 1 cwt dry drums sold from \$1.20 per lb up to \$1.40; for the granular form no buyers.

Rosin. More business recorded. WW grade 515 lb drums sold from \$70 per picul up to highest \$81. **Sulphur powder.** In late July a few lots of USA origin 100 lb paper bags sold from \$12 per picul down to \$11.50. Since August the market is active; price upward from \$12.80 to \$13.50 the highest recorded. **Sodium bichromate.** Market active. Rather big quantity sold. Demand is heavy from North China. Australia origin 560 lb drums sold from 65 cts. per lb up to 77 cts., and South Africa origin 500 lb drums sold from 58 cts. up to 64 cts. now. **Carbon black.** Stock continued in short supply. Witch brand in 187.5 lb cases packing may be sold from \$295 up to \$350 per case. The Getz brand of the same packing from \$350 up to \$385. With regard to Fortress brand, extremely short in stock, if available, seller asked \$500 per case. ICI granular form 50 lb bags sold a lot at \$1.10 per lb. **Sulphur black.** National's No. 693, 100 catty drums firstly sold from \$280 per picul and then \$290, \$300 and upward. However, a large shipment arrived, the price dropped back to \$280 only. Its indent price is \$250 only. **Soda ash.** Stock declined. Market up. ICI Crescent brand dense grade 90 kg bags, fresh shipment, sold between \$30 and \$31

per bag. **Potassium chlorate.** Market quiet with occasional demands. Price steady. USA origin 200 lb metal drums sold 72 cts. per lb, and 110 lb metal drums about 70 cts. The Russian origin 45 kg wooden cases with faint yellow color sold 62 cts. per lb.

Sodium chlorate. This chemical may be sometimes used instead of potassium chlorate, however, as it is easily hygroscopic, it is scarcely adopted by match manufacturers. Generally it is used in dyeing industry. It is sold at 65 cts. per lb. **Mercury.** Market quiet for long period. Only small business was done on Italy origin 76 lb iron bottles at \$570 per picul. **Lithopone.** Market quiet but price steady. Dutch or German origin 50 kg bags sold between 37 cts. and 38 cts. per lb. **Potassium bichromate.** Granular form of English or USA origin sold from 86 cts. per lb up to 89 cts., and English origin 500 lb drums crystal form sold \$1.07 per lb. Market moved upward slowly. **Indigo.** 60% crystal form 100 x 1 catty tins per case sold \$820 per picul, and ICI 50% paste 20 x 5 catty tins per case sold \$650 per picul only. **Congo red.** National's No. 210, 100 catty drums sold \$650 per picul. **Niagara Blue.** National's No. 140, 100 catty drums sold \$570 per picul. **Aniline oil.** As stock is old, many drums are rusty or even leaking. Australia origin 448 lb drums good packing is about 70 cts. per lb. Only small business was done. **Formalin.** Spot goods are short. New shipment will arrive next week. English origin 448 lb drums sold from 47 cts. per lb up to 50 cts. Business recorded was the biggest in the past two years. **Glycerine.** Price was erratic. Dutch origin 250 kg drums BP quality sold between \$1.60 and \$1.67 per lb. The Pyramid brand 56 lb tins sold \$1.90 per lb. It does not mean that the quality of Pyramid is better than Dutch, it is sold higher due to small packing. **Sodium nitrate.** Belgium origin 100 kg bags sold \$40 per picul, whereas 175 kg wooden barrels sold \$38 per picul only. Market firm but demands not strong. **Acetic anhydride.** Small business only. 448 lb or 480 lb drums sold \$1.30 per lb. **Paraffin wax.** More interest on higher melting points. AMP143/150 nine slabs to one carton sold rather big quantity between \$74 and \$75, some lots as high as \$78 per picul. The AMP 160/165 of the same packing sold \$82 and now about \$83 per picul. AMP 130/135 100 kg machine sewn mouth burlap bags sold up to \$69 and \$70 per picul.

Bright liquid gold. Hanovia brand 28 gram bottles little active. Price per bottle from \$40 up to \$43. **Alcohol.** Native distilled white color sold between \$1.70 and 1.90 per catty. As higher aldehyde content and sweeter taste in native alcohol, it always causes ants licking. **Talc powder.** Korea origin 50 kg paper bags asked \$150 per ton. **DPG.** USA origin 150 lb fibre drums sold \$2.25 per lb. Export to North China. **MBT.** English Monsanto 224 lb metal drums about \$2 per lb. **Saccharine.** Monsanto granular soluble 1 lb tall tins old packing advanced a little, now about \$11.50 per tin. **Zinc chloride.** Belgium origin 1

cwt drums galvanized iron drums sold firstly \$1400 per long ton and now \$1350 only. **Cocanut oil.** Market active. Singapore origin 400 lb drums sold \$125 per picul. **Chrome yellow.** Various, deep or light, colors sold from \$1.20 per lb to \$1.80 according to shades. **Chrome red.** Its indent price is dearer than chrome yellow. However, as its use is limited, the holders are urged to sell much lower at 35 cts. per lb. As compared with indent price, the dealer gained 10% only. **Shellac.** As more export demands exist, the superfine No. 1 quality sold from \$300 per picul up to \$360 now. **Sodium sulphide** sold. Crossed key brand 6 cwt drums sold \$580 per long ton, whereas the Chinchin brand 5 cwt drums at \$555. Moderate business was done. **Stearic acid.** Australia origin triple pressed 140 lb bags sold \$1 per lb. Small business was recorded. **Glacial acetic acid.** Market began to move again. Canada origin 50 lb aluminum drums sold 85 cts. per lb, and Dutch origin 20 kg carboys at 85 cts. **Epsom salt.** For medical use in 1 cwt bags or larger packing is about 25 cts. per lb. **Potassium ferrocyanide.** This photo material was sold at \$3.60 per lb. **Bronze powder.** German origin 100 lb cases pale gold color sold \$3.40 per lb for several cases for export. **Ammonium nickel sulphate.** Canning Albo brand 1 cwt cases sold \$155 per case. It is used for electric plating. **Magnesium carbonate.** ICI 56 lb gunny bags is in short supply. It is now sold \$1.50 per lb. **Coumarin.** Tobacco flavoring agent. 1 lb tins sold \$18 per tin. Some inquiries came in. **Nitric acid.** America origin 57 lb carboys is in tight supply position. It is sold 80 cts. per lb. Whereas Japan origin or Dutch origin of lower quality sold 50 cts. and 52 cts. per lb respectively.

Hongkong Stock Market

The volume of business on the Hongkong Stock Exchange was down to \$229,857, or \$28,554 lower than for the preceding week. Business reported for the third quarter of this year totals \$15,395,064. Prices, where changed, were fractionally lower.

Stocks	High	Low	Sales
H.K. Govt. Loan 4%	98	—	—
H.K. Govt. Loan 3½% 1948	96	—	\$16,000
Bank of East Asia	101	—	156
Union Insurance	575	—	33
Indochina (Pref)	12	—	165
Asia Navigation	65	—	1,286
Shanghai Docks	2.85	2½	6,250
Wheelock Marden	21	—	286
Shanghai Lands	1.05	—	16,551
Trams	10	—	2,800
Lights, old	9.60	—	1,000
„ new	6.60	—	66
Electrics	19½	18¾	3,656
Telephones	10.40	—	300
Watson's	20½	—	100
Sinceres	2½	—	150
EWO Cotton	2½	—	3,500

FINANCIAL REPORTS

HONGKONG FREE MARKET

Report for the week July 31—August 5.

GOLD:—Highest & lowest rates per 945 fine tael \$329½ (the current year's highest)—312, equiv. to .99 fine tael and oz prices of \$345.19—326.85 and \$286.87 and 271.62 respectively.

Macao and Canton prices per .99 fine tael \$323—306½ and \$323—312 respectively.

Local crossrates US\$44¼ high, 43¼ low. Cif Macao prices of freshly imported gold from US\$40¼ to 41½, depending on source of supply and variation in transport and incidental charges, the latter including a fee charged by the gold-import licences controlling syndicate.

During last week price fluctuations were about 7% with the trend being uncertain. Rates were at first stimulated by the Taiwan visit of SCAP, Tokyo. Local stocks were on the increase. Speculative deals dominated an otherwise sluggish market. Bulls remain in control, bears are few as only gold importers and interest hedgers are oversold.

Forward interest continued in favor of sellers (bears) totaling \$1.36 per tael for the week, a yield of 23% p.a. Macao interest on gold exchange was double, viz. \$2.70. Stock in Macao, as result of continual arrivals and lack of suitable re-export, is heavy.

Forward contracts totaled 397,000 taels (.945 fine), a daily average of 66,100 taels. Positions left open per average day 204,000 taels. Oversold positions were largely held by Pao Sang native bank, said to be operating usually for account of Chinese authorities (Canton), with an interest hedge of over 90,000 taels (presumably idle funds of Chinese authorities thus being utilised to earn heavy change-over interest); minor oversold banks were Man Fat, leading Swatow financiers, and gold importers. The leading Shanghai clique was heavily overbought and so were most other speculative combines.

Cash bars turned over totaled 58,000 taels of which 46,650 officially listed. Of the total quantity, 52,000 taels changed hands among interest hedging forward operators, 2000 taels exported, 4000 taels consumed by ornamental trade. Exports to Singapore and Bangkok 2000 taels each.

Local stocks increased by 25,000 taels; they were acquired by interest hedgers but sooner or later will be again on the market.

Imports from Macao approx. 27,000 taels (nett figure after deducting HK Govt. seizures). Macao exports to Hongkong are profitable as difference in local and Macao price proves—\$20—25 per tael lower in Macao. Current 'premium' for transport per tael (.99 fine) from Macao to Hongkong around \$18.

Jewelers report sagging demand by public; ornaments are no longer hoarded in larger quantity as was the case after outbreak of Korean war.

Differences paid for certified .99 fine bars \$14.90—15.10 per tael, for uncertified bars \$11.90—12.

Highest & lowest gold (.945 fine tael) and TT New York rates:—

	Gold		US\$	
	high	low	high	low
July 31	\$323½	312	635	625
August 1	329	317½	640	635
2	329½	318	640½	637½
3	329½	321½	640	636½
4	326½	320½	638½	633½
5	324	318½	639	637½

US\$:—Highest & lowest rates, for US notes \$633¼—619¼, DD 637—622, TT 640½—625, corresponding to crossrates of US\$2.498—2.56.

Sales: US\$2,050,000 (of which one million in TT sector). Usual buyers and sellers.

SILVER:—With rates unchanged, business totaled 115,000 taels. Some exporters entered the market for future shipment to New York. There was also some demand from Bangkok. China imports were very small.

BANK NOTES & DD:—Native banks' selling rates for banknotes: British pound \$15.67—15.80, Australia 11.90—12.02, New Zealand 12.15—12.30, South Africa 15.10, Malaya 1.74—1.77, India 1.06—1.09, Pakistan 1.22—1.25, Ceylon .95—.96, Burma .80, Canada 5.50, Cuba 4.20—4.40, Philippines 2.24—2.25, Indochina .12—.126, Thailand .27½, Indonesia new currency .25—.35 (old notes .16—.25), Macao 1.01½.

Japanese yen business was small, rates at \$1.33—1.36 per 10,000 yen (or about HK\$1 per 74 yen which at current free market rate comes to 466 yen per US\$ against official rate in Tokyo of 360 yen).

Indonesian currency improved spectacularly. The new independent govt in Indonesia is successfully forging ahead and confidence in the future is spreading; overseas Chinese feel that way and act accordingly. Gold in Jakarta dropped on the black market from 40,000 to 30,000 guilders, and Hongkong currency declined from 5.25 to 2.75 guilders. Exchange between Hongkong and Jakarta is difficult to arrange via unofficial channels; remitters must buy from traders (their export proceeds) if they have some funds left, or resort to smuggling of gold, silver or bank notes out of the country.

Malayan drafts were more actively transacted, total value amounting for the week to Mal\$1,650,000 at rates of Mal\$55—55½ per HK\$ 100. The in-

crease was due to larger requirements by businessmen and the stringent control exercised by the exchange control authorities in Singapore and here. Peso drafts on Manila were somewhat neglected, with banks out of the business and traders acting as bankers or using the Philippine drafts for own requirements. Business done: 250,000 pesos.

CHINESE EXCHANGE:—The People's Bank of China again revised official rates and lowered foreign exchange values. The new rates came into force as from Aug. 7 and are for TT New York PB\$32,200 (before 35,000) and Hongkong PB\$4950 (before 5690). The financial consolidation in China is also shown by these continual PB\$ appreciations.

On the black markets in China rates for the HK\$ are more or less in line with the official rates. Against a black market rate of some 6 months ago of PB\$10,000, the current rate in Canton is only 5000.

Local money changers traded Chinese currency at \$1.76—1.79 per 10,000. Hongkong quoted on Shanghai TT PB\$ 5800—6000 but very little business done; most transactions pass through official banks. Hongkong quoted on Canton \$96.90—98.60 per 100 in Canton, business transacted \$1¼ million; on Shanghai 93—93½ taels of gold, and 103—103½ US notes; on Taiwan 82—85 taels of gold, and 95—96 US notes (business done 500 taels, US\$15,000). Shanghai black market quoted gold, per .99 fine oz, at PB\$1.85—1.9 million, and US notes at PB\$47,000 (very small turnover reported).

Singapore Securities Market

The influence of fiscal policy in the Federation on Singapore taxation is too well realised to need stressing. And so it was hardly surprising to find in Singapore commercial circles a total absence of that extraordinary adulation with which the Gurney six-year plan was received by the Federation Legislature. It seems to us that Sir Henry Gurney has been able for a spell to bemuse the whole Council. Singapore realists do not dwell on the Empyrean heights with Sir Henry and so can find nothing to support the High Commissioner's statement that the financing of the scheme is practicable. The Development Plan will involve expenditure of \$186,325,000 on capital account and additional revenue of approximately \$43,362,000 per annum will be required if the scheme is to be financed.

No one with any length of experience expects the present rate of Malayan national income to be sustained and during the Plan period there will undoubtedly be years when hardly any profit will be earned by Malayan staple industries.

That the scheme envisages the raising of a Loan at 3½% is another instance of the unrealistic outlook of the planners. For it is in the Loan market that a true index of the credit of the Federation can be found. In 1949 the Federation raised \$69 million in 3 percent at par when sponsored by the British Treasury on a controlled London issue market. The stock stands at 88 today at which it yields 3.9%. The balance of \$31 million which the Federal Treasury was empowered to raise in 1949 has never been floated. Our only comment on this is that had it been possible to raise the Loan it would have been raised. The 3% 1946 Rehabilitation Loan of the Malayan Union stands in the market today at 90 and yields almost 3¼%.

It is patent that any surplus which might accrue from the bumper revenue of 1950 above ordinary expenditure will be swallowed up and more wanted in budgetting — on Whitehall orders — for the cost of the Emergency. It is assumed that the British Government will at a later date contribute something to preserving this main source of U.S. dollars, but there is a string to this. Aid will be given only when a Socialist administration is satisfied that the utmost taxation has been imposed in the Federation. Visiting Socialist MPs have declared that they will not be happy until Malayan income tax is equal to the Home scale.

Increased income tax in the Federation will, in the present scheme of things, be reflected immediately in an added cess on Singapore. Singapore's existence as an entrepot, which it contributes so much to Empire finance, is dependent on its ability to trade cheaply and from its profits in good years to be able to take risks in bad. Impose heavy taxation and the trade flows elsewhere. There is still time for the Colony and Federation to revert to the sane financial policies of the past which admitted of unparalleled development, carried out as and when surpluses had been accumulated. In the past such a policy brought to Malaya tremendous venture capital from all over the world and it will again, if we let it.

The Korean fighting afforded daily interest to operators on the Singapore stock market but would not appear to have exhausted its power to depress. Turnover during the week was on the low side in a generally weak market.

Industrials are a little worse over the period and investors again operated on any small declines.

The startling fluctuations in the rubber commodity provided the main topic of discussion and culminated in a rise to \$1.25 per lb. on Thursday when many many operators were able to see from their offices the flames which consumed some 4,000 to 5,000 tons of rubber. Rubber shares were affected by the rise to only a small extent, mainly in better buying enquiries for several market favourites.

The share market took scant notice of a fresh high record in the Singapore Tin price — \$367½ — on 27th July and share prices moved irregularly.

London was a cheap buyer of sterling tins throughout without result from Malayan sellers.

Local Loans continue to have moderate placings from the wide selection of offerings with little change in prices. Australian Government issues still hold an attraction for persons and institutions in search of spread.

Prices of leading Singapore stocks at the end of July were as follows:

	% Yield based on last year's dividend		
	Buyers (\$ M.)	Sellers (\$ M.)	
Malayan Union 3%, 1946	90	91.50	3.75
Alexandra Brickworks, Ltd.	1.95	2	10
Consolidated Tin Smelters, Ltd. (Sterling denomination)	15/6	16/6	9.7
Fraser & Neave, Ltd. Gammon (Malaya) Ltd.	2.87½	2.92½	7.2
Henry Waugh & Co. Ltd.	2	2.20	13.6
H.K. & S. Banking Corporation	1.87½	1.95	12.8
London Tin Corp. Ltd. (sterling) ..	620	640.40	6.6
Malayan Breweries, Ltd.	4/-	4/4	12
	4.75	4.85	6.2

Japanese Textile Production in March, 1950

	(Units: Yarn 1,000 lbs. Cloth 1,000 sq. yds.)	
	February	March
Pure cotton yarn	36,214	34,713
Cotton waste yarn (by cotton spinners) ..	423	468
Cotton cloth production		
Independent weavers ..	56,897	61,994
Spinner weavers	58,994	54,372
Other weavers	107	178
Number of spindles		
Installed	3,787,184	3,804,316
Operable	3,769,288	3,794,168
Operating Month-end ..	3,470,395	3,440,264
Average ..	3,470,395	3,281,092
Number of looms		
Installed		
Independent weavers ..	167,272	168,567
Spinner weavers	49,521	49,596
Total	216,793	218,163
Operable		
Independent weavers ..	165,877	166,994
Spinner weavers	49,289	49,427
Total	216,135	216,421
Operating		
Independent weavers ..	95,792	98,433
Spinner weavers	44,562	44,847
Total	140,354	143,280
Number of operatives		
Working		
Spinning mill	53,294	54,466
Independent weavers ..	73,165	74,680
Spinner weavers	30,252	30,477
Filament rayon yarn ..	6,856	7,419
Rayon staple	8,880	10,294
Spun rayon yarn	5,526	5,731
Filament rayon cloth ..	23,143	26,577
Spun rayon cloth	9,463	11,330
Filament silk cloth	7,742	4,962
Spun silk cloth	617	643
Silk mixture cloth	1,666	1,153

	% Yield based on last year's dividend		
	Buyers (\$ M.)	Sellers (\$ M.)	
Malayan Collieries, Ltd.	1.55	1.65	6.1
McAlister & Co., Ltd.	38	39	6.4
Oversea Assurance Corp., Ltd.	10.75	11.25	2.7
Oversea Chinese Banking Corp., Ltd.	61.50	62.50	6
Raffles Hotel, Ltd.	2.45	2.55	7.8
Singapore Cold Storage Co., Ltd.	4.40	4.50	6.7
Singapore Traction Co., Ltd. (Sterling denomination)	13/-	14/-	—
Straits Steamship Co., Ltd.	14.40	14.60	6.8
Straits Trading Co., Ltd.	11.75	12.25	6.1
Union Insurance Society of Canton, Ltd.	310	320	4.4
Wearne Brothers, Ltd.	2.40	2.50	10